Treasury Board Secretariat of Canada
Modern Comptrollership Directorate

Content Analysis of the Comptrollership Capacity Check Reports

Consolidated Report

May 2002

103-05116/

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Executive Overview

Introduction

Modern Comptrollership

Modern Comptrollership in practice is public service managers making decisions based on: integrated financial and non-financial performance information; sound risk management; due regard for appropriate control; and, sound values and ethics.

To make this a reality, the environment within departments and agencies must be conducive to the practice of modern comptrollership. Managers must be provided with: an integrated framework for risk management; systems that link financial and non-financial performance information in a timely and accessible manner; integrated control frameworks; and, practical guidance on the application of ethics and values in day-to-day decisions. These are the four pillars of Modern Comptrollership.

To develop and sustain this environment, departments and agencies must have: senior leadership with a strategic view and a demonstrated commitment to modern comptrollership practices; motivated and competent managers, staff, and functional specialists; and, clear accountabilities with accompanying incentives for achieving results. These three prerequisites are the enablers of Modern Comptrollership.

The comptrollership capacity checks

As part of the implementation of the Modern Comptrollership Initiative, 15 federal government departments completed comptrollership capacity "checks". These capacity checks were designed to assess the situation in departments in relation to the four pillars and the three enablers of modern comptrollership. Assessments were made against 34 criteria grouped around seven elements which were closely related to the pillars and enablers.

The capacity checks were carried out at various times from late 1999 to mid 2001 and each resulted in a report on the state of modern comptrollership practice within each of the 15 departments in relation to the criteria.

The purpose and content of this report

This report presents a cross-departmental analysis of the contents of the capacity check reports of 12 of the 15 departments which completed such an assessment. The other three were not readily available or, because of the approach used, were less amenable to comparative analysis.

This report provides an assessment of the state of comptrollership practices across government as represented by the results of the comptrollership capacity checks in these 12 departments at the early stages of the Modern Comptrollership Initiative.

For those who would like to examine the analysis exactly as presented in the majority of the individual capacity check reports, the sections titled *Content Analysis: The pillars of comptrollership* and *Content Analysis: The enablers of comptrollership* present, for each of the pillars and enablers, a detailed content analysis for each of the related criteria.

For those who would prefer to examine the analysis from a thematic perspective, the section titled *Content Analysis: A thematic view,* presents the analyses according to the management tasks of: 1) establishing objectives and plans, and allocating resources; 2) garnering employee commitment; 3) ensuring employees have the necessary tools, information and capacity; and, 4) monitoring progress and making any needed adjustments. These management themes arise in part because, as part of the comptrollership capacity checks, more than 400 managers at various levels of the 15 departments were interviewed.

In the section titled *Concluding material,* certain government events or activities that can be expected to influence modern comptrollership are highlighted.

Caution to the reader

The content of the capacity check reports were accepted as accurately presenting the situation at the time of the completion of the capacity check - no attempt was made to verify the information presented. Additionally, departments are currently taking action to address gaps identified in the capacity check reports and as a consequence, the content of this report does not likely represent the current situation.

Results in Brief - the pillars of modern comptrollership

Integrated performance information

Although some departments were actively working on it, the integration of financial and non-financial performance information was not a reality in any department. There were some departments that had good operating information, others had good corporate performance or evaluative information, some had good costing information and still others had good service standards and client satisfaction information. No one department had successfully integrated its performance information into a true "balanced scorecard".

A key challenge was to develop "outcome" measures of performance. The accuracy and relevance of a number of measures in terms of operating information was also a concern. In a number of cases, although performance information was gathered or collected for external reporting purposes, it was not used for the management of the organization.

Incentives and disincentives were key drivers as to how well departments gathered and used information. For example: where cost recovery was important, good costing information tended to be available and was used; or, where there was a strong client focus, there was good use of service standards and client satisfaction measurement; or, where there were perceived unpleasant consequences of measuring program outcomes, they were not measured.

Risk management frameworks

Where risk management frameworks existed or risk managed, it tended not to be at the departmental level but rather at various operational levels where the managers used intuition and experience to deal with risk. Where departments were dealing directly with public health, safety or security, very good risk management approaches to those matters were evident. Although a corporate level of risk tolerance tended not to be established nor communicated in departments, the prevailing culture of a number of departments was one of risk aversion.

Rigourous stewardship or internal control

Internal controls were adequate in most areas in most departments and, in a majority, either finance staff or internal audit monitored or reviewed the application of controls. Almost all departments had good accounting practices and/or adequate financial records. A future challenge was the general lack of awareness of the implications of the Financial Information Strategy for management processes and decision-making.

Internal audit was seen as adding value in most departments although in some instances it was under-resourced. A number of departments were not making full use of the work of the Office of the Auditor General because this office was viewed as primarily supporting accountability relationships with parliament.

There was the extensive availability of knowledge enhancing technology and analytical decision-making tools and techniques. The main challenge in the application of tools and techniques in support of decision making was the lack of flexibility in the corporate transaction tracking systems to provide easy access to the necessary accurate, timely and complete financial or non-financial information. In some cases, the unavailability or inaccessibility of training limited the usefulness of the both tools and techniques and, the transaction tracking systems.

Ethics and values

Only one department had fully developed and implemented an ethical framework. Three others, however, had either a code of ethics, or a close equivalent, promulgated throughout the department. Although, only one department had carried out formal assessments and surveys of staff to gauge the ethical climate and deal with issues raised, in most others the dialogue on ethics was reported to have begun.

This does not mean that public servants were not behaving ethically; indeed, the majority of departments specifically reported a generally ethical environment. In a significant number of departments, employees had support available when dealing with ethical dilemmas in the form of either, an ombudsman or, an ethics coordinator.

Results in Brief - the enablers of modern comptrollership

Strategic leadership

In the majority of departments, senior management had discussed, understood and demonstrated a commitment to modern comptrollership concepts. At less senior management levels and in regions, the depth of awareness, commitment and implementation of modern comptrollership practices varied - but tended to be lower. Modern comptrollership was sometimes seen as just one of many initiatives with little sense of relative priorities, or was perceived to be limited to financial matters.

Lower support at these management levels was also evident in those departments where an emphasis was placed on "crisis or issue management" or program management.

The Senior Financial Officer (SFO) was an integral part of the management team and was generally seen to be providing advice at a strategic level. As one moved out and down in the organization, the finance officers tended to provide financial advice at the transaction level and only limited strategic advice.

Motivated people

All departments reported that management training was available, however, because of either insufficient resources, or workload pressures, managers were not receiving adequate training in modern comptrollership practices.

Although few departments had formal approaches to determining employee satisfaction, many were using a number of informal methods. The key challenges identified were that of overcoming employee cynicism, and, ensuring staff recognized the link between concrete changes implemented and the issues raised in employee surveys.

To recognize the value of people's contribution, formal reward and recognition programs were in place in the majority of departments. In some cases, however, it was perceived that there were mixed messages in relation to valuing people. Examples cited were: the pay equity issue; and, downsizing resulting in increased workload with subsequent negative impact on family life or training opportunities.

Clear accountability

Almost all departments had accountability frameworks in place. In many, however, the frameworks were not well understood and there was still some overlap of responsibilities, and in some cases, functional roles were not always clear or accepted.

All departments had performance agreements in place for staff at or above the executive (EX) level, and, in the majority, agreements were linked to objectives or expected results. It was rare, however, for the annual performance agreements to be linked to a responsibility for the application of modern management practices and seldom was there a mechanism to link performance information directly to the annual evaluation.

Although incentives to encourage the application of good management practices - including performance pay and rewards and recognition programs - were in place, there were a number of constraints to their effectiveness. These included: limited monetary recognition possibilities; rewards and recognition program criteria or their application not understood or transparent to staff; and, rewards and recognition programs not used consistently, or to their full potential.

Concluding material

Other initiatives impacting on modern comptrollership practices

The analysis presented in this report is based on comptrollership capacity checks carried out during the period from late-1999 to mid-2001. Since that time, there have been a number of steps taken that will likely have a positive influence on the management of the federal government. A few are highlighted here.

The federal government has published *Results for Canadians* and the *Integrated Risk Management Framework*. New *internal audit and evaluation policies* were promulgated as well as the *internal disclosure policy* and the *active monitoring policy* came into effect The full implementation of the Financial Information Strategy (FIS) has been announced - including the adoption of accrual accounting.

Introductory Material: the content analysis and this document

The comptrollership capacity checks

As part of the implementation of Modern Comptrollership, 15 federal government departments completed comptrollership capacity "checks". The majority of these checks were carried out by assessing the departmental posture in relation to seven elements relevant to modern comptrollership. Four of these elements were quite pertinent to the four pillars of modern comptrollership (as described in the 1997 *Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada*) and the other three were deemed to be important prerequisites (or enablers) to the successful implementation of modern comptrollership. Assessments for each of the seven elements were developed by considering the degree to which a number of associated criteria were met within the department - overall there were 34 criteria.

The four elements related to the comptrollership pillars were:

- *integrated performance measurement* (with 10 associated criteria);
- *mature risk management* (with 2 associated criteria);
- *rigourous stewardship - or control* (with 9 associated criteria); and.
- *shared ethics and values* (with 1 associated criterion).

The three elements related to the enablers of modern comptrollership were:

- *strategic leadership* (with 4 associated criteria)
- *motivated people* (with 4 associated criteria), and,
- *clear accountability* (with 4 associated criteria).

The capacity checks were carried out at various times from late 1999 to mid 2001 and each resulted in a report which included, in relation to each of the criteria: an overall numeric assessment; a summary of the state of affairs within the department; and, an identification of challenges or opportunities.

Following the first five capacity checks (completed in 1999 and early 2000), an analysis of the overall results in the five "pilot" departments was carried out and a consolidated report prepared in April 2000. Since that time 10 more departments have completed capacity checks and this report presents a similar in-depth cross-departmental analysis of the results.

The need for further analysis of results

In 2002 an evaluation framework for the Modern Comptrollership initiative will be developed and one important input to this evaluation framework will be some sense of the baseline - or the level of performance in the area of comptrollership that was present when the initiative started. One indicator of that level of performance will be the "state of comptrollership" practices across government as represented by the results of the comptrollership capacity checks. This report, on a cross-department basis, provides that input.

A cross-department analysis of the capacity checks will also assist in targeting the efforts of the Comptrollership Modernization Directorate (CMD) of the Treasury Board Secretariat (TBS). It can help to identify common challenges and or opportunities that can be more appropriately addressed by a common centrally facilitated approach rather than each department addressing the challenge unilaterally.

The content analysis

The departments

Although 15 departments completed capacity checks, for this current analysis, the capacity check reports only 12 were used. The other three were either, not readily available for analysis or, approached the assessment of their comptrollership capacity using a slightly different model which made the results less amenable to comparative analysis. The departments included in this content analysis were:

- Agriculture and Agri-Food Canada (AAFC)
- Foreign Affairs and International Trade (DFAIT)
- Health Canada (HC)
- Human Resources Development Canada (HRDC)
- Immigration and Refugee Board (IRB)
- Indian and Northern Affairs Canada (INAC)
- Industry Canada (IC)
- National Defence (ND)
- Natural Resources Canada (NRCan)
- Royal Canadian Mounted Police (RCMP)
- Treasury Board Secretariat (TBS)
- Veterans Affairs (VA)

The content and format of this report

This report is designed to satisfy two broad groups of readers. Hence it is not essential, depending on the interests of an individual reader, to read the report in its entirety.

A modern comptrollership view

For those who would like to examine the analysis exactly as presented in the majority of the individual capacity check reports should focus on the sections titled *Content Analysis: The pillars of comptrollership* and *Content Analysis: The enablers of comptrollership.* Theses sections present, for each of the modern comptrollership elements (the pillars and enablers of modern comptrollership), a detailed content analysis of the related criteria - one by one. To assist in the selection of pertinent reading, some overall conclusions in relation to each element are presented followed by the details of the individual analysis for the associated criteria. Those elements related to the pillars of comptrollership are presented first followed by those elements related to the enablers.

A thematic analysis

A thematic view of the state of management in the public service is also possible because, as part of the comptrollership capacity checks in the 15 departments, over 400 managers at various levels of government were interviewed. Those who would prefer to examine the analysis from that thematic perspective should focus on the section of this report titled *Content Analysis: A thematic view.* The section presents the content analyses of the capacity check reports according to the management tasks of: 1) establishing objectives and plans, and allocating resources; 2) garnering employee commitment to work toward the stated objectives; 3) ensuring employees have the necessary tools, information and capacity to achieve organizational objectives; and, 4) monitoring progress and making any needed adjustments.

In this section, the analyses for the thirty-four criteria are repackaged and presented (in less detail) according to the management tasks outlined above. The format of this section allows for easy selection of relevant reading by providing, as a side bar, brief summaries of the contents of the analysis.

Initiatives since the time of the capacity check reports

As mentioned earlier, the capacity checks were carried out at various times from late 1999 to mid 2001. Since that time, there have been a number of initiatives that will have an influence on management practices in the federal public service. In the section titled *Concluding material,* certain government events or activities (such as the publishing of *Results for Canadians*) that can be expected to influence modern comptrollership are highlighted. In addition, selected portions of the April 2002 report of the Office of the Auditor General on the subject and the government response to it are outlined as they also can be expected to influence modern comptrollership.

Caution to the reader

The content of the capacity check reports is a result of what was essentially a self-assessment of a department's comptrollership capacity and the information presented in the reports has not been subject to independent verification. The content was accepted as accurately presenting the situation within each department at the time of the completion of the capacity check - no attempt was made to verify the information presented. In response to the initial reports (completed at various times over the period December 1999 to August 2001) departments developed and are currently implementing action plans to address gaps. Consequently, the reader is cautioned that the content as presented in this report does not likely represent the current situation in the various departments.

In this document, when it is stated that a number departments reported a condition, it does not necessarily mean that the condition did not exist in other departments - it only means that the condition was not described in the capacity check report.

Content Analysis: The pillars of comptrollership

Integrated performance information

The criteria

The integrated performance information element was assessed using ten criteria - *business planning, resource allocation, budgeting and forecasting, corporate performance information, operating information, measuring client satisfaction, evaluative information, services standards, financial information,* and *cost management information.*

Some conclusions

Although some departments were actively working on it, integration of financial and non-financial performance information was not reported to be a reality in any department. There were some departments that had good operating information, others had good corporate performance or evaluative information, some had good costing information and still others had good service standards and client satisfaction information. No one department had it all, and no one had successfully integrated its performance information into a true "balanced scorecard[1]".

A key challenge reported for nine of the departments was to move to more "outcome" measures of performance. This issue was highlighted in relation to corporate performance and evaluative information. Similarly, the accuracy and relevance of a number of measures in terms of operating information was raised as a concern in at least half of the departments. In a number of cases although performance, evaluative, operating, or client related information was gathered or collected, it was not used for the management of the organization.

Incentives - their presence or not - was one of the drivers as to how well departments gathered and used information. For example: where cost recovery was important good costing information tended to be available and was used; or, where there was a strong client focus there was good use of systems of service standards and client satisfaction measurement. As alternative examples: where resource allocation or re-allocation at the departmental level was not seen to be aligned to business plan priorities, the business plans were not used to manage the organization at any level; where resource allocation or re-allocation decisions appeared arbitrary (or were not based on understood criteria), surpluses were not declared at all or, were not declared in sufficient time to allow re-

[1] A balanced scorecard begins with a vision for the future and a strategy to achieve that vision. The strategic objectives and related performance measurements are grouped into four categories: the financial perspective; the client perspective; the perspective of internal processes; and the innovation and growth perspective.

allocation; or, where there were perceived unpleasant consequences of measuring client satisfaction or program outcomes, they were not measured.

Capacity, in terms of either systems or personnel, was a challenge in some areas. Financial system reporting flexibility and personnel capacity limited the usefulness of financial information to managers in some departments. In some instances, these same two capacity issues surfaced in relation to financial forecasting. Personnel capacity was also an issue in relation to business planning

Business Planning

One half of the departments were reported to have a business planning infrastructure and four of those also had a business planning process. In five of the twelve departments, some or all branch business plans linked well to corporate priorities.

In the departments where there was not a good business planning infrastructure or process, it was normally reported that business plans were prepared for central agency reporting purposes and not for managing the organization.

In four departments, a lack of ranking of priorities made business planning difficult and, in one of those departments, managers were reported to be overwhelmed by the number of competing priorities.

In two departments, it was reported that strategic plans were too high level and hence had little relevance for operational planning purposes. In two other departments, it was reported that there was no internal consensus on the value of business planning in relation to the nature of the department's operations.

> There are conflicting opinions as to whether a coordinated departmental planning process would be valuable given the widely different activities across sectors.
>
> Some managers believe that because they are in a reactive and uncertain environment, that there is less use for a lot of formal planning.
>
> *Statements in departmental capacity check reports*

To be successful

Where there were challenges, departments typically needed:

- A business planning process, a revised process, or, a fuller implementation of the existing process[2].
- A ranking of corporate priorities with a logical link between priorities and resource allocations.
- Capacity in terms of people to carry out business planning.

[2] Improvements required typically involved stronger linkages to strategic plans and increased client input.

Resource Allocation

The majority (7 of 12) of departments reported that there was a process to allocate or re-allocate resources within branches based on priorities. Although only two departments reported having a process at the departmental level to allocate resources based on priorities, the majority (7 of 12) reported that there was some form of senior level review of initial allocations and/or the need for re-allocation based on new funding requirements. One third of the departments reported that finance staff were involved in resource allocation activities.

Three departments reported good communication and transparency of funding activity and decisions.

The majority (8 of 12) of departments reported that financial resource allocation was based on historical budgets or that the allocations were not made on the basis of priorities. Three additional departments reported that managers saw no evident link between funding allocations and business planning.

> There is a tenuous link between priorities and resource allocation.
>
> Financial and human resources are ... not allocated based on corporate Business Lines plans and business plan priorities.
>
> ... resource allocation ... is not based on business plan priorities, trends or past results.
>
> *Statements in departmental capacity check reports*

Half of the departments reported that there was no process for re-allocating resources across branches, or, that resources were managed in "silos". In two departments, new funding requirements were typically met with across-the-board "taxes". In one of these departments, this approach coupled with resources being managed in "silos" likely led to a sense that resource allocation was an adversarial activity.

To be successful

Departments indicated that to move forward would require:

- Resource allocation and re-allocation based on the priorities laid out in strategic and business plans.
- Broader communication of the criteria used and the results of the resource allocation and re-allocation decision-making processes.
- Incentives for individuals to manage resources with the greater good in mind.

Budgeting and forecasting

Although only two departments reported having a mature budgeting and forecasting process, an additional four reported having a good budget framework.

A majority (9 of 12) of the departments reported that budgeting occurred at the branch level taking into account the resource allocation process. Four departments reported that budgets demonstrated a strong link to branch business plans and two reported that budgets reflected strategic plans. Two-thirds of the departments assessed, indicated that variance analysis was used to track progress and to make adjustments, and, with one exception the analysis was performed by managers.

In half of the departments, finance supported the budgeting and forecasting process - in two of those cases providing a strong challenge process.

The Immigration and Refugee Board (IRB) was reported to have incentives in place to encourage managers to identify financial surpluses and shortfalls for subsequent re-allocation.

A number of departments reported forecasting difficulties with the concerns covering a wide range of issues. These included: difficulty in forecasting year-end positions; limited personnel capacity for forecasting or variance analysis; and forecasts typically always equal to or greater than the available budget.

The timing of the budgeting process was a challenge in three departments: budgets were struck before priorities were set; operational cycles did not fit fiscal cycles; or, final budget establishment occurred in a less than timely manner.

Two departments reported that significant de-centralization of budgets had reduced the potential for re-allocation of resources across branches.

To be successful

To overcome some of the challenges, it was suggested that what was needed was:

- Improved capacity for fore-casting - people and systems; and,
- Incentives to improve forecasts and declare surpluses in time for re-allocation.

Corporate performance information

Five of the departments reported that there were results-based frameworks[3] in place for their business lines and an annual report was made on the results achieved. Of these five, four indicated they had performance measures in place. Additionally, one other department reported having a results-based framework in place, while another indicated that they were reporting on results achieved on an annual basis.

Seven departments were reported as having performance measures linked to individual goals and objectives for some or all of their branches.

Notwithstanding the availability of performance information, in only two departments was it reported that the information was used for management purposes.

Three departments were lacking an articulation or ranking of strategic priorities.

No consistent set of issues or concerns emerged. There were, however, a range of concerns related to disincentives to performance measurement and reporting: performance measurement framework at too high a level to be meaningful; performance reporting not relevant to managing operations; expected results and measures not understood or agreed to; or, unpleasant consequences of reporting on the performance of programs.

> Managers perceive a risk to measuring outcomes, because it may question the rationale for some programs.
>
> *Statement in a departmental capacity check report.*

To be successful

Some of the things individual departments needed were:

- Department-wide or strategic measures.
- More outcome-oriented performance measurements (nine departments).
- More qualitative performance measures.
- Education for managers on the benefits of performance measurement and management.

[3] The features of results-based frameworks (the term used in the capacity check reports) have been incorporated into the Results-based Management and Accountability Frameworks (RMAF) now in place.

Operating information

Although only two departments were reported as having and making full use of operating information throughout the department, all twelve had operating information available in at least some of its branches. The use of such information, however, was inconsistent.

In two of the departments with only some operating information, there were instances of some branches using a full panoply of measures to manage the operations. Interestingly, branches that functioned on a fee-for-service basis were more likely to have good operating information.

In one quarter of the departments, operating information was available for statistical reporting purposes externally, but was not used to manage operations internally.

The key challenge for at least half of the departments was the relevance and/or completeness of the type of information gathered in relation to that needed to manage the operations.

> Relevance of existing operating information, and the need for new operating information, needs to be assessed in the context of service delivery by partners.
>
> *Statement in a departmental capacity check report*

A particular challenge in two departments - which may be significant for others in the future - was the difficulty in gathering operating information on government services provided to Canadians by third parties.

To be successful

Where there were challenges, some of the things individual departments needed to do were:

- Establish operational measures in all branches of the department.
- Integrate existing information at the sector and/or departmental level.
- Integrate financial and non-financial operating information.

Measuring client satisfaction

Only one department was reported as having a solid client satisfaction feedback system in place and, only one department had a formal and well structured complaint handling mechanism.

Although almost all of the departments were reported to have some external and/or internal client feedback mechanisms, it was usually at the branch level and either *ad hoc* or informal.

The challenges reported for departments were:

- Definitions of satisfactory performance.
- Defining the client for quasi-judicial service or for a "public good".
- Measuring client satisfaction with third party providers.
- Partnerships with "clients" presents definitional difficulties.

> Many branches are struggling with the definition of what is "satisfactory" performance. Managers feel that clients will always want more than the mandate will allow, so it is difficult to fully satisfy their needs.
>
> *Statement in a departmental capacity check report*

In two departments, managers felt that informal approaches to measuring client satisfaction were adequate and appropriate for their operations.

To be successful

In almost all cases, departments needed a corporate level approach to identifying who the clients were and measuring client satisfaction.

Evaluative information

Two departments were reported to be using evaluative information for decision-making purposes and three others were reported to be using this type of information sometimes.

It was reported that two departments had developed evaluation frameworks[4] for all major program areas and a further six indicated they had evaluation frameworks for some or most programs or branches.

Three quarters of the departments assessed used department-level independent evaluation to generate some of the evaluative information.

The biggest challenge reported for two thirds of the departments was to move to more outcome or results-oriented measures of performance.

In two departments, managers indicated evaluative information was not relevant or applicable to their activities. In one of these same departments, it was reported that no evaluative information of any kind was available.

In one department it was reported that the significant expertise available in the independent evaluation branch was not being used to advantage by the managers within the department.

To be successful

Individual departments needed to:

- Develop evaluation frameworks for all major program areas.
- Move to more outcome-oriented measures.

[4] The features of evaluation frameworks (the term used in the capacity check reports) have been incorporated into the Results-based Management and Accountability Frameworks (RMAF) now in place.

Service standards

In only two instances were departments reported to have developed national, department-wide, and publicly-announced, or available, service standards for externally provided services. In two other departments, service standards were developed by most branches and in five others it was reported that some branches had developed service standards. Again, it was more likely that those involved in cost-recovery or fee-for-service activities had developed service standards.

In five departments, it was reported that some or all internal service providers had developed service standards.

In four departments, clients had participated in developing the service standards and in one of these departments performance against the standards was reported to clients.

For almost all the departments that had developed service standards, the levels of monitoring, tracking and analysis of performance against the standards was limited.

In at least one department disincentives to developing and using service standards were reported.

> Several branches/regions feel that they are not capable of providing [an] appropriate level of service in some areas (under-resourced) and are therefore avoiding the development of service standards.
>
> *Statement in a departmental capacity check report*

Again the issue of the difficulty of establishing standards when a government service is delivered by a third party was raised in one department.

To be successful

Individual departments needed to:

- Take a corporate view of services standards.
- Develop service standards for all services delivered either to Canadians or to internal clients.
- Review the relevance of long standing service standards.
- Improve tracking and analyzing performance against the new and existing standards at the corporate and operational levels.

Financial information

Seven departments reported that financial information was timely, accurate and accessible. In one other the only reported difficulty was accessibility.

In two departments, finance staff provided value-added analysis and reporting which enhanced the usefulness of financial information to managers.

Four departments reported difficulties with at least two of the three qualities of good financial information - timeliness, accuracy, and accessibility. Three of these four departments had recently implemented new corporate financial systems. In these departments, managers regularly used "black books" or parallel local financial systems to meet their needs for financial information.

The availability of salary information was a challenge for at least two of the departments assessed and integration with non-financial information was reported as being required in five departments.

To be successful

Departments needed to:

- Integrate financial, non-financial and related information.
- Provide additional training to managers on the reporting capacity of current systems.
- Improve the flexibility of reporting systems including "what if" capabilities.

Cost management information

Four of the departments assessed were reported to be providing cost information at a level appropriate for program management. Two other departments were providing cost information at an appropriate level in at least some of the necessary instances.

Three departments reported that Activity Based Costing (ABC) systems were being implemented at the department or branch levels.

Where it was not regularly available, cost information tended to be developed to support individual management situations such as cost recovery, case management, project management, benefit/cost analysis, or Treasury Board submissions.

In a number of departments (five) managers were not convinced that any possible benefits of formal or extensive cost accounting systems were not worth the expense of developing and maintaining them. Additionally, it was reported that there were few incentives to manage costs.

Where ABC systems were being developed within branches or programs, difficulties were foreseen with future integration at the departmental level.

> Generally, managers feel costing information would not be useful for decision-making purposes. Only cost-recovery programs make full use of costing information.
>
> It is generally felt that costing is not as important in times when resources are not constrained.
>
> *Statements in departmental capacity check reports*

To be successful

There will need to be tangible benefits or incentives to expand the use of cost information by managers within departments.

Risk management

The criteria

The risk management element was assessed against two criteria - *risk management framework* and *authority levels*.

Some conclusions

Where risk management frameworks existed or risk managed, it tended not to be at the departmental level but at various operational levels where the managers used intuition and experience to deal with risk. It should be noted, however, that the culture of a number of departments was reported to be risk averse. Where departments were dealing directly with public health, safety or security, they tended to have very good risk management approaches to those matters. In most cases, managers did not fully understand or have a common understanding of risk management concepts with risk sometimes being viewed in primarily financial terms.

Departments generally delegated authorities appropriately; the delegations were reviewed periodically; and, for the most part managers understood their authorities. Although in some departments managers were satisfied with the current level of delegation, in an almost equal number, managers wanted further delegations. This latter desire included a claim that central agency limits were too restrictive and/or human resource management authorities were insufficiently flexible.

Risk management framework

Although only two departments were reported as having a fully developed risk management framework at the departmental level, the remaining ten reported that risk management frameworks existed or risk management occurred at various other levels. This include: assessing and managing risks in specific functional or organizational areas; addressing risks related to occupational safety and health, environmental or litigation risks; and, managing the risks associated with capital or information technology projects.

Ten departments reported that risk was regularly managed at the operational level using intuition and experience. Two of those same departments reported that sensitive files or issues were risk-managed.

In one quarter of the departments assessed, it was reported that at some guidelines, training or tools were available to assist managers in dealing with risk.

Interestingly, two departments were assessed as having very good risk management approaches to matters dealing directly with public health, safety or security but were not assessed as having good frameworks to deal with administrative or "business" risk.

In seven departments, managers were reported as not fully understanding or having a common understanding of risk management concepts. In one third of departments, risk was sometimes viewed primarily in financial terms and the concepts needed to be expanded to other areas.

The prevailing culture in five departments was reported as being risk averse with two of those specifically reporting a sense of zero or limited tolerance for risk. In two other departments, managers were reported to address risk on a reactive as opposed to a proactive basis.

> There is no tolerance for risk within the department. As a whole the department is risk averse.
>
> There is limited tolerance for risk at the political level within the Department.
>
> *Statements in departmental capacity check reports*

In four departments, it was reported that corporate responsibility for risk management was unclear or not assigned.

To be successful

Where departments felt there were challenges, they typically needed to:

- Develop and implement a department wide risk management framework;
- Apply the existing departmental risk management framework;
- Provide managers with risk management training and tools; and,
- Communicate widely the nature of the department's risk tolerance.

> Risk management strategy is seen as critical to enabling managers become more responsible risk takers.
>
> *Statement in a departmental capacity check report*

Authority levels

Seven departments were reported as having appropriately delegated authorities in terms of types and levels with three others indicating that delegations were appropriate in most instances. - two of those departments were studying further delegations. The two remaining were reported as having delegation structures both, in place and, fully communicated. With one exception, it was reported that for the most part managers understood their authorities. In one half of the departments, authorities were reviewed on a regular basis. In one other, the extent of the periodic review varied.

In four departments, managers indicated that they were satisfied that the current level of delegation supported the delivery of program responsibilities.

The managers in five departments wanted further delegations in some areas. In three cases this included a claim that central agency limits were too restrictive and/or human resource management authorities were insufficiently flexible. In three departments it was reported that administrative or operational (program) authorities were not commensurate with the assigned responsibilities.

In two departments, it was reported that: managerial training was not supporting increased authority; accountability mechanisms were not appropriate given the increased authority; and that managers may not be taking advantage of the increased authorities available to them.

To be successful

Generally, departments needed to:

- Review the current delegation of authorities in relation to program responsibilities and departmental strategic goals; and,
- Monitor the application of authorities.

Rigorous stewardship

The criteria

The rigorous stewardship element was assessed against nine criteria - *business process improvement, tools and techniques, transaction tracking systems, knowledge enabling technology, consistency of information, internal controls, accounting practices, internal audit and review,* and, *external audit and review.*

Some conclusions

Although few departments had corporate approaches to business process improvement, improvements were occurring at the Branch, Sector, or Regional level. There were some concerns, however, that: processes were Branch specific and not necessarily amenable to imposed corporate processes; operations had not stabilized and hence improvements were pre-mature; and, there was a difficulty in rallying support for improvement initiatives.

There was the extensive availability of such knowledge enhancing technology as office automation and e-mail, as well as, internet and intranet. Additionally, a range of analytical decision-making tools and techniques were available to managers with functional specialists providing support where necessary. Coupled with the possibility of information overload, a key challenge in relation to knowledge enabling technology was the capacity of people to take advantage of it. The main challenge in the application of tools and techniques in support of decision making was the lack of flexibility in the corporate transaction tracking systems to provide easy access to the necessary accurate, timely and complete financial or non-financial information. The lack of training availability, or accessibility, was also cited as limiting the usefulness of the tools and techniques and the transaction tracking systems.

Most departments reported that internal controls were adequate in most areas or managers were comfortable with the level of checks and balances. In a majority, either finance staff or internal audit monitored or reviewed the application of controls. With two exceptions, all departments had good accounting practices and/or adequate financial records. Ten departments were either implementing or, were in the process of implementing, the Financial Information Strategy (FIS). A future challenge reported was the general lack of awareness of the implications of the accounting practices associated with the FIS on management processes and decision-making

Although internal audit was seen as adding value in most departments, it was reported as being under-resourced in some. The vast majority of departments reported both good relations with the Office of the Auditor General (OAG) and positive responses to the recommendations of the OAG. A number of departments, however, were not able to make full use of the OAG work because this external review function was viewed as primarily supporting accountability relationships with parliament rather than the agendas of departmental management teams.

Business process improvement

> Devolution in the Department has given rise to the opportunity to explore more efficient program delivery mechanisms.
>
> *Statement in a departmental capacity check report*

Although only three departments were reported as having a corporate approach to business process improvement, four others had major initiatives underway at the departmental level. These seven reported that business processes were reviewed on either a regular or *ad hoc* basis.

Even without a corporate initiative, business process improvement initiatives were occurring on an *ad hoc* basis at the Branch/Sector/Regional level in an additional four departments. In some of these instances, a number of units within departments had looked to a more private sector model for improvement and become registered in accordance with the appropriate ISO9000 standards.

> Many managers feel that there is not a culture of continuous improvement within the department. ... it is difficult to focus on improvements, when they are still trying to stabilize operations.
>
> Managers perceive that there are barriers to implementing business process improvements .... The extent to which business processes are improved depends on the level of union and employee support, the competencies and skill sets of staff and the availability of resources.
>
> *Statements in departmental capacity check reports*

Where departments had a corporate level initiative or approach, they also tended to have a method of sharing best practices within the department. These efforts were reported to have varying levels of success.

There were a number of difficulties reported by departments in relation to business process improvement. These included:

- Processes are Branch specific;
- Imposed corporate processes do not always work in the Regions;
- Operations have not stabilized;
- Difficult to rally support for improvement initiatives;
- A short term view of improvement; and,
- Cross-function processes introducing further complications.

To be successful

Where there were challenges, departments typically needed:

- a culture of improvement
- a corporate view of process improvement with a comprehensive approach to documenting business processes;
- a forum for sharing best practices; and,
- best practice assessments of key processes.

Tools and techniques

Tools and techniques were reported to include such things as - direction or guidance on business cases analysis, guidance on benefit-cost analysis, Activity Based Costing (ABC) systems, costing templates, expected value analysis, resources allocation models, benchmarking, or, economic models. The key feature of most of these tools or techniques was the ability to combine the financial and non-financial data available within the department to support managerial decision-making.

Only four departments were reported to have a wide range of tools and techniques available to managers that were used to at least some extent. Six others reported that some basic tools were available or, that tools were available on an *ad hoc* basis.

Where more sophisticated tools were used, managers tended to rely on functional specialists (e.g. finance officers, economists, statisticians, HR specialists, etc.) either, to support them in the application of the tools or techniques or, to carry out the analysis. In some instances, however, this applied even to the application of basic financial techniques.

Two departments reported that the ability to pursue improved decision making approaches was impeded by the pressures of other priorities. This seemed to include the inability to take time to develop the tools and apply them, or to take the time to be trained in the use of the tools and techniques.

> There has been limited use of cost benefit analysis, benchmarking and best practices assessments. Managers generally recognize that these are useful tools for decision making, but have been stalled in pursuing this by other competing priorities.
>
> While technological tools are available, managers have not been able to use them to their fullest extent in part due to workload constraints that prevent them from obtaining the training.
>
> *Statements in departmental capacity check reports*

In one department, it was reported that financial techniques and information were not usually applied to departmental decisions and that more qualitative analysis was used. Is was not clear, however, whether it was because of a predisposition to rely on judgment and experience rather than quantitative information, or the unavailability of financial information.

There were a number of other challenges that faced departments in the application of tools and techniques in support of decision making. The key challenge was the lack of flexibility of corporate systems to provide the necessary financial or non-financial information to feed the tools or techniques being used - this was reported as a problem in at least half of the departments assessed.

A complementary challenge was the quality (accuracy, timeliness, or completeness) of the information contained in the corporate systems.

> Generally, managers feel that the corporate systems are too inflexible to provide the information managers need for analysis purposes.
>
> Information from systems are [sic] a key tool for decision-making; however, information is not necessarily integrated, timely or reliable.
>
> The tools may be okay, but the data used in applying the tools is not perceived to be sufficiently reliable.
>
> *Statements in departmental capacity check reports*

To be successful

Departments indicated that to move forward would require:

- a corporate approach to decision-making that would encourage the use of both financial and non-financial information;
- tools and techniques developed at the corporate level made available to all;
- awareness of the availability of the tools and techniques;
- guidance and/or training in the use of tools and techniques;
- improved flexibility and accuracy of corporate systems to provide the information necessary to apply the tools and techniques; and
- improved capacity of finance officers to support managers.

Transaction tracking systems

All departments tracked finance and human resource (HR) transactions at the corporate level with the majority being reported as "stove-piped". Although, seven departments indicated that operating information was available at the corporate level, timely operating information was more likely to be found at the branch, sector or regional level.

The department level systems were the primary source of information for reporting to parliament and central agencies. These reporting requirements were specifically mentioned as being consistently met in one-half of the departments.

Few departments reported that corporate information was reliable. This resulted in a number of "black book" systems, some of which were much more sophisticated than a simple "black book". The prime concern was with easy access to integrated, timely and accurate information - HR information was reported as being of prime concern. In only

two departments was it reported that managers exhibited a sense of ownership of both operational and administrative information and hence, by implication, a feeling of responsibility for its accuracy, timeliness and completeness. In two other departments, it was indicated that managers had a sense of ownership of operational data.

In three departments, it was reported that there was a requirement for manual intervention to make the information in corporate systems useful to managers.

To be successful

To overcome some of the challenges, it was suggested that:

- financial and non-financial information be integrated at the corporate level[5];
- improve the accuracy of corporate information;
- access to corporate information be made easier; and,
- managers be trained in the of corporate systems.

Knowledge enabling technology

This criterion primarily addresses the availability of performance (and related) information to both external and internal users through technology such as: local area networks (LAN); wide area networks (WAN); internet and intranet; and e-mail systems.

A large majority of departments reported extensive availability of office automation and e-mail, as well as, internet and intranet. Four of these also reported that their main corporate applications were client-server based. One other reported that branch or regional applications were client-server based. Only one department reported that data warehousing was the approach used to making information available and one other reported the use of Electronic Data Interchange (EDI) for doing business with clients. Only four departments were reported to have back-up and disaster recovery plans in place.[6]

[5] At the time of the comptrollership capacity check, there were initiatives in a number of departments to provide corporate level decision support systems that would improve the integration of financial and non-financial information.

[6] This result is surprising given that, at the time of many of the capacity checks, the departments would have been dealing with (or had recently dealt with) the Y2K issue. The generally accepted approach to Y2K would have involved reviewing and updating back-up, recovery and/or contingency plans.

Although only reported specifically by two departments, a key challenge was the capacity of people to take advantage of knowledge enabling technology. Information overload was also cited in a few instances as a difficulty.

> Individuals perceive that they are receiving too much information with little time to process it. How this information arrives and the quality and substance of it is an issue.
>
> The Internet is not being used to its full potential. However, some regions indicated that they needed staff skilled in developing web-sites and databases.
>
> There is a concern that technology is causing "information overload" with the result that people are paying less attention to the data and are, therefore, becoming less informed rather than more informed.
>
> *Statements in departmental capacity check reports*

The most significant challenge, reported in two thirds of the departments, was for organizations to take a corporate or enterprise wide view of information beyond financial or HR information. In a significant number of the large departments, operational information was primarily held at the branch, sector or regional level, making access by others difficult.

To be successful

Some of the things individual departments needed were:

- a corporate approach to information management; and,
- integration of performance information with other performance and/or financial and HR information a the corporate level.

Consistency of information[7]

In one half of the departments, it was reported that financial and operating information systems were compatible and in another three financial systems only were compatible. In five departments it was reported that sites were electronically linked and in six departments report writing facilities were available but not widely used.

Seven departments reported that dealing the incompatibility required significant manual or automated reconciliation.

[7] Notwithstanding its title, this criterion had to do with the *compatibility* of financial (budgeting, forecasting and accounting) and operating *information systems* and the availability of report writing features.

In some cases even where systems compatibility was not an issue, accuracy, completeness or timeliness of information were of concern and made it less than useful for decision making.

To be successful

Where there were challenges, some of the things individual departments needed to do were:

- Integrate financial, and non-financial and/or performance information; and,
- Provide easy to use and accessible report writing facilities.

Internal controls

Six departments reported that internal controls were adequate in most areas of the department. In a further two, managers were comfortable with the level of checks and balances and one more indicated that controls over financial transactions were good. Only one department reported that controls over financial transactions were primarily exercised using manual methods. Three quarters of the departments were reported as having an appropriate delegation of authorities; however, only three of these also had well-documented procedures in place. In a majority (7 of 12) of departments, either finance staff or internal audit monitored or reviewed the application of controls.

In seven departments, controls were deemed to be inadequate in some areas, or there was limited assurance that controls were being applied consistently everywhere.

Managers in five departments expressed concerns that some centrally imposed controls were excessive and that it was likely that controls have not kept up with current realities.

In at least three departments, managers were reported to be not fully aware of their control responsibilities, or were uncomfortable with how the authorities delegated to them were to be used.

> There is no formal control framework in place for the department nor are managers necessarily aware of their responsibilities in relation to control.
>
> ... managers are not always comfortable nor familiar with how the delegated financial, administrative and human resource authorities are to be used.
>
> *Statement in a departmental capacity check report*

To be successful

To address some of the issues raised, departments needed to:

- develop a risk based internal control framework;
- document that framework;
- increase managers awareness of their responsibility for internal control; and,
- improve the on-going monitoring of the application of internal controls.

> Some specialists feel that controls ... have been compromised too much as a result of reducing the perception of being "over-controlled".
>
> Devolution and downsizing are perceived by some to have lessened the effectiveness of the internal control framework.
>
> ...many positions related to aspects of control were reduced.
>
> The system of internal controls is very process driven and limits managers' ability to take managed risks (e.g. contracting, staffing).
>
> ... some areas (e.g. travel, contracting staffing) are believed to be over-controlled.
>
> *Statements in departmental capacity check reports*

Accounting practices

With two exceptions, all departments were reported as having good accounting practices and/or adequate financial records. Ten departments were identified as either having implemented or, being in the process of implementing, the Financial Information Strategy (FIS).

In one third of the departments, the costing structure was primarily expenditure based with coding structures that did not meet managers' needs.

In five of the departments assessed, it was reported that managers had a very basic understanding of necessary accounting practices, or were not familiar at all with accounting practices. In these departments, the tendency was for managers to delegate all accounting related activities to administrative or financial staff.

> Most managers are not familiar with fundamental accounting practices, but rely on specialists in this area.
>
> Most managers do not do accounting ... themselves, and have a very basic knowledge and understanding .... They seek the assistance of, or delegate this responsibility to, ... financial specialist or administrative resources.
>
> FIS is seen as mainly a financial community exercise for now.
>
> ... there is limited understanding of the Financial Information Strategy (FIS) on their operations and reporting.
>
> *Statement in a departmental capacity check report*

Coupled with this, the majority of departments reported that managers were not aware of the implications of accrual accounting (being implemented as part of the FIS) on their management processes and decision-making. To overcome this lack of knowledge, a number of departments were in the throes of implementing significant communications and education efforts.

To be successful

Individual departments needed to provide managers with:

- a broader awareness of the implications and benefits of the implementation of the FIS including the issues surrounding accrual accounting and the application of Generally Accepted Accounting Principles (GAAP);
- training in the fundamentals of accounting necessary to fulfil their responsibilities.

Internal audit and review

Audit committees were reported to be active in two thirds of the departments assessed. Ten departments were reported to have department level audit plans, with all of them being risk based and/or linked to departmental business plans.

> Increasingly, the auditors focus on more significant issues than on picky errors.
>
> *Statement in a departmental capacity check report*

In three departments, it was reported that internal audit was involved in the development of new policies, systems, programs or initiatives. In one half of departments, internal audits were responded to with formal action plans which were followed up. More importantly, in seven departments internal audit was seen as adding value, in an additional one, internal audit was focussed on performance improvement.

Innovations was reported as a defining characteristic of internal audit in three departments and, in two of these, internal audit was used as a "way point" for the further progression of managers' careers.

> Managers in the regions would benefit from more audits with an operational focus, for their own protection.
>
> The capacity of internal audit was significantly reduced to accommodate Program review reductions.
>
> *Statements in departmental capacity check reports*

Five departments reported that internal audit was under-resourced. As a consequence, in two of those departments, internal audit had focussed its work on compliance matters.

To be successful

Where there were challenges, departments needed to:

- Develop risk-based audit plans linked to business plans;
- Communicate more broadly the internal audit plans and processes; and,
- Ensure action plans are prepared in response to audits and follow-up on them.

External audit and review[8]

The vast majority of departments reported good relations with the OAG and good co-ordination between external and internal auditors. Ten departments were reported as regularly developing action plans in response to external audits or reviews with the majority of those being formally followed-up. One third of departments were reported to be using the results as input to strategic planning. In two departments, it was reported that the management team provided input to the priority areas to be addressed by the OAG.

Many of the challenges identified in relation to this criterion had more to do with the nature of external audit and review rather than the department itself. This is supported by those assessments in one-quarter of the departments identifying that, because external audit and review did not have internal departmental management as its prime client, the results were not as useful as they might be. Five departments reported that the recommendations from OAG work were sometimes problematic because they were impractical in resourcing terms, lacked specificity, or, were not attuned to departmental priorities. This may have led to the situation in the two departments which were reported as not systematically incorporating external audit or review results into future planning.

> Some managers express concerns that external audits provide good analysis of departmental processes and results, but do not provide sufficient guidance to implement improvements.
>
> Others ... feel that the audits do not raise issues that are not already known, or do not provide recommendations useful to the department.
>
> There is a perception among managers that Auditor General reports are more useful to parliament than to program managers.
>
> The general view is that the OAG could be more balanced in reporting on both positive and negative findings.
>
> *Statements in departmental capacity check reports*

[8] This criterion is titled "external and review" and hence implies *all* types of external scrutiny would be considered in the assessment. The focus, however, was on the value-for-money work of the Office of the Auditor General (OAG) - only two departmental capacity check reports briefly mentioned reviews by other organizations.

Shared values and ethics

The criterion

The shared values and ethics element was assessed against only one criterion - *ethics and values framework*.

Some conclusions

No overall conclusions are offered as only one criterion was used.

Ethics and values framework

Although only one department was reported as having a fully developed and implemented framework, three others had developed either, a code of ethics or, a close equivalent, and promulgated it throughout the department. An additional five had developed departmental mission and vision statements that had been widely communicated within the department. In four departments, individual branches, sectors or business units had developed codes of ethics for use within their organization.

Seven departments reported a generally ethical environment noting such things as: little evidence of unethical behaviour, the fact that few infractions occur; staff perceived to be behaving ethically; staff cognizant of ethical behaviour; and, the culture of the organization promoting ethical behaviour. In one third of the departments, it was reported that managers understand and complied with the conflict of interest guidelines.

Five departments reported that employees had support available when dealing with ethical dilemmas in the form of either, an ombudsman or, ethics coordinators. Two departments had training programs dealing with ethics in the workplace.

Only one department was reported as having carried out formal assessments and surveys of staff to gauge the ethical climate and deal with issues raised. In eight other departments, however, the dialogue on ethics was reported to have begun.

> ... a training course on Ethics and Conflict of Interest was conducted within the department. (In excess of 1,000 managers were trained.)
>
> "Open space" sessions are held with staff to discuss ethics and values. Individual employees fell they can raise concerns.
>
> Many organizations within the department have developed individual values statements ... through extensive consultation with staff. These are visible and well known throughout the areas. In general, these values are reflected in management and employee behaviour.
>
> *Statements in departmental capacity check reports*

Issues raised in departmental capacity check reports varied with no particular pattern emerging. The matters raised included:

- Perception that the inappropriate behaviour was not adequately dealt with;
- Perception that operational ethics may be in conflict with administrative ethics;
- Insufficient training in dealing with day-to-day ethical dilemmas; and,
- Lack of consensus as to what is acceptable behaviour in relation to the conflict of interest guidelines.

In a few departments, concerns were raised that formally documenting a code of ethics may be too prescriptive and reduce the inherently individual judgement to be applied to ethical dilemmas.

> In some respects the culture supports personal interests (recognition, promotion) over corporate values. The culture is ingrained and would be difficult to change.
>
> Downsizing and the resulting increased delegation of authorities and responsibilities is perceived to have generated ethical dilemmas.
>
> ... the pressure, often political, to spend program funds and deliver services expediently, can raise ethical issues. There is a concern about the "mixed messages" that are communicated.
>
> *Statements in departmental capacity check reports*

Also raised was the question of how ethics and values would be monitored and then enforced when staff have been found to be behaving unethically.

To be successful

Where there were challenges, departments needed to:

- Develop a code of ethics;
- Carry out assessments and surveys to determine the ethical climate in the department; and,
- Provide training and related support.

Content Analysis: The enablers of comptrollership

Strategic leadership

The criteria

The strategic leadership element was assessed using four criteria - *leadership commitment* to modern comptrollership practices, the *role of the Senior Financial Officer (SFO)* within the department, *management commitment* to modern comptrollership practices and the *linkage to strategic planning* of business planning and resource allocation.

Some conclusions

In the majority of departments, senior management had discussed and understood the modern comptrollership concepts and demonstrated their commitment by the appointment of a senior person to spearhead the effort along with the allocation of resources. At less senior management levels and in regions, the depth of awareness, commitment and implementation of modern comptrollership practices varied - but tended to be lower. At these levels of management, modern comptrollership was sometimes seen as just one of many initiatives both within the department and within government with little perceived sense of linkages or relative priorities. This was often coupled with a view or understanding that "comptrollership" was concerned with, or limited to, financial matters.

Lower support at these management levels was also evident in those departments where "crisis or issue management" was said to be the predominant management style or where the emphasis within the department was on program management.

The Senior Financial Officer (SFO) was an integral part of the management team and was generally seen to be providing advice at a strategic level. As one moved out and down in the organization, the finance officers tended to provide financial advice at the transaction level and only limited strategic advice.

Although only a few departments had a well developed strategic planning *process*, the majority had well articulated and communicated strategic priorities which were presented in some form of "strategic plan". The key challenges reported for strategic planning was the need for a coordinated effort across the department, and the measurement of performance against strategic priorities. Confusion as to the meaning of various planning terms was also reported.

Leadership Commitment

At the senior management level the modern comptrollership concepts were discussed understood and there was commitment to the initiative. Commitment was more tangibly demonstrated by the appointment of a senior person to spearhead the effort; the allocation of resources; and the development of concrete plans. In one department, "comptrollership" responsibilities were put into the work descriptions of the senior management team. Strong communications efforts enhanced understanding of modern comptrollership practices - one department even produced a video on the topic.

In many departments, the depth of awareness, commitment and implementation of modern comptrollership practices varied, but tended to be lower, as the assessment moved down in the management ranks or out into the regions.

Improving modern comptrollership practices was seen as just one of many improvement initiatives both within the department and within government with little sense of linkages or relative priorities. This was particularly evident in those departments where "crisis management" or "issue management" was said to the predominant style.

In at least three departments, the term "modern comptrollership" was seen to be too financial when in fact the concepts articulated address much wider management concepts - indeed some of these departments referred to "modern management practices". This was said to introduce confusion over terminology. In one instance, there was also a concern that the initiative was driven by "finance" rather than line managers. In three departments there was concern that high levels of senior management turnover may result in an inconsistent message and difficulty in sustaining any momentum.

> The comptrollership initiative is on of several government initiatives that are currently being undertaken, making the management of priorities a challenge.
>
> There is a perception that management commitment has not always been translated into action. This may be attributable to too many department-wide and government wide initiatives.
>
> *Statements in departmental capacity check reports*

To be successful

Where departments felt there were challenges, they typically needed:

- Linkage and prioritization of "initiatives".
- More education of senior management by comptrollership staff.
- Appoint of senior level person to spearhead the initiative.
- Plans for implementation including good communications strategies.
- Increased training funded outside normal appropriations.

Role of Senior Financial Officer

In all departments assessed, the Senior Financial Officer (SFO) was reported to be an integral part of the senior management team and, in half of the departments, was reported to be providing advice at a strategic level. In a third of the cases, the finance officers at all levels had a functional relationship with the SFO. The SFO staff were seen to be providing financial advice and in two cases also non-financial advice - but not at the strategic level.

As one moved out and down in the organization, the finance officers tended to provide the primarily financial advice at the transaction level and although in some cases they were considered part of the management team at local levels, they were not providing strategic advice. In a quarter of the departments, the managers were reported not to be taking advantage of the wide range of financial advice and services available.

In four of the departments, managers felt that finance staff were control rather than service-oriented or, that the finance staff were ultimately responsible for probity, prudence and compliance with financial policies.

To be successful

Departments indicated that to move forward would require:

- Improved capacity of finance staff to provide strategic advice at all levels.
- Clearer delineation of the roles of financial advisors, other like advisers (e.g. business planners) and managers.
- Broader communication of advisory services available from finance staff.

> Staff are knowledgeable on rules and regulations, but generally keep advice to the strict interpretation of policies. This could be due to a number of reasons: level of experience, comfort level in risk taking, training.
>
> Due to short-staffing of financial staff in many areas, there is often only enough staff to fulfil basic financial reporting and analysis requirements and not enough time to broaden services to more value-added analysis and strategic advice.
>
> *Statements in departmental capacity check reports*

Management commitment

In a majority (10 of the 12) of the departments, managers understood their on-going management responsibilities and carried them out. In some cases, managers actively promoted improved management practices even if not part of a formal departmental program. In approximately one third of departments, managers sought financial advice and/or used it to consider the financial (and in some cases people) implications of new proposals. In some cases, budget reductions and increased responsibilities were reported to have accelerated the adoption of improved management practices.

In three of the departments, the financial implications of new initiatives were either not considered, or only considered from the point of view of funding matters.

Modern comptrollership practices received less support in those departments where there was an emphasis on either program delivery, or, on the management of issues over financial management and/or improving management practices. Similarly, in areas where this was seen as merely one more priority among others or where there are too many "priorities", managers had difficulty supporting modern comptrollership practices. This was exacerbated by the perception that the modern comptrollership practices would be one more administrative burden (or rule) that, either actually inhibited the manager's ability to manage, or had little positive impact on program delivery.

The issue of understanding "comptrollership" to be about finance surfaced here again - one of the departments where this was prevalent was the Treasury Board Secretariat.

> The department operates in a reactive mode .... Financial implications of decisions are oftentimes not a key consideration of senior management.
>
> Some managers questioned the suitability of best practices developed in large sophisticated urban areas for "rural" offices or those from NHQ for regions where there is "multi-tasking".
>
> *Statements in departmental capacity check reports*

To be successful

To overcome some of the challenges, it was suggested that:

- More discussion and information on comptrollership would be useful - this would have to include tangible evidence of linkages between modern comptrollerhsip practices and positive program results.
- Training be provided on the comptrollership duties and responsibilities of managers and finance officers.
- Providing more incentives and management support to the implementation of these modern management practices or the comptrollership initiative.

Link to strategic planning

Although only one quarter of the departments had a well developed strategic planning process, the majority (10 of the 12) had well articulated and communicated strategic priorities in a formal strategic plan and/or proxy documents (usually the *Report on Plans and Priorities* (RPP)). Lower level plans were reported to be linked to corporate plans in about half the departments assessed.

The key challenge reported was for strategic planning to be a coordinated effort across the department such that linkages between plans at various levels were evident.

There was also a reported confusion with the meaning of terms such as "strategic" and "business" plans and the place of the RPP in the strategic planning process. This also included the question of the existence of "strategic" plans at organizational levels below the departmental level.

A common challenge was the lack of performance measurements against the stated strategic priorities.

There is a consensus that strategic priorities are not clearly articulated for the department nor apparent to departmental management.

Although there is no formal strategic plan document, most mangers consider the 5 strategic objectives to represent the department's strategic vision.

Statements in departmental capacity check reports

To be successful

Where there were challenges, some of the things individual departments needed to do were:

- Develop a coordinated approach to strategic planning;
- Prepare a "strategic" plan which identifying strategic priorities; and,
- Rank strategic and other priorities using a risk assessment process

More generally departments needed:

- A common planning terminology; and,
- Performance information against strategic priorities

Motivated people

The criteria

The motivated people element was assessed against four criteria - *comptrollership competencies*, *employee satisfaction*, *valuing people's contribution* and *specialist support*.

Some conclusions

Reforms in public service management such as de-centralization of decision-making, streamlining of procedures, and alternate delivery mechanisms coupled with associated resource reductions, have raised inter-related challenges that become clearly evident when considering this element of the comptrollership capacity check - *motivated people*.

All departments reported that management training was available, however, in only a few cases comptrollership, or closely related, competencies were incorporated into that training. Unfortunately, because of either insufficient resources to provide training, or workload pressures, managers were not receiving adequate training in comptrollership or modern management practices. New ways of delivering government services with, or by, third parties had resulted in additional pressures to introduce training in how to manage these relationships and more business-oriented training.

Although only four departments had on-going formal approaches to determining employee satisfaction and acting on the issues raised, others were using a number of informal methods. In relation to assessing employee satisfaction, the key challenges identified were that of overcoming employee cynicism, and, ensuring staff recognized the link between concrete changes implemented and the issues raised in employee surveys.

Most departments were reported as being good places to work and employee input was encouraged. In one half of the departments, information was freely shared and discussions were reported as being very open in some of these managers and/or employees actively participated in decision-making. Formal reward and recognition programs were reported as being in place in a majority of departments. Additionally in half of the departments, the value of people was demonstrated through a number of tangible people-oriented initiatives. In some cases, however, it was perceived that there were mixed messages in relation to valuing people. Examples cited were: the pay equity issue; and, downsizing resulting in increased workload with subsequent negative impact on family life or training opportunities.

In the majority of departments, the managers were satisfied with the quality of the support provided by specialists - even though, in four instances, managers indicated that the support was inadequate. Notwithstanding this positive assessment, some cited cuts to non-operational resources during program review for a lack of capacity in the specialist functions.

Comptrollership competencies

In three departments, comptrollership competencies had been incorporated into leadership profiles and, in one other, some of the required comptrollership competencies had been incorporated into such profiles. In four additional departments, comptrollership competencies were reported to have been incorporated into leadership profiles for the EX level only. In one third of departments, there had been awareness sessions held concerning comptrollership competencies. Only one department had carried out a gap analysis against the comptrollership competencies.

In four departments, it was reported that there was a good knowledge transfer between functional specialists and managers.

All departments reported that management training was available. In only four, however, was it reported that comptrollership, or closely related competencies, had been incorporated into that training. It was reported in four departments that, in at least some of the branches or regions, learning or training plans were prepared for managers.

In seven departments, comptrollership expectations and/or management principles had not been identified or communicated throughout the department.

In the majority (9 of 12) of departments that were assessed, it was indicated that although training was available managers did not receive adequate training. The two key reasons cited were: insufficient financial or personnel resources to provide training; or, workload pressures precluded managers to take the time necessary to upgrade their skills. In two departments, on-job-training was reported to be the most predominant approach to training new managers and, in one other, experience was favored over training.

> Most managers feel that the Department provides them with access to management training courses. ... However, they feel they are not afforded the time to attend training.
>
> Managers expressed concern about the time commitment to take formal training, given operational pressures.
>
> *Statements in departmental capacity check reports*

Two departments indicated that new ways of delivering government services, either with or by third parties, had introduced additional pressures to introduce training in how to manage these relationships and more business oriented training.

> Managers should be provided training on how to manage within a partnership service delivery framework. This is a major culture change for managers and the organization as a whole.
>
> *Statement in a departmental capacity check report*

To be successful

Where departments felt there were challenges, they typically needed to:

- Identify, communicate and incorporate into management training needed comptrollership competencies;
- Identify gaps in management skills against the comptrollership competencies;
- Provide funding or other incentives to encourage managers to take advantage of available training; and,
- Improve the performance appraisal and career development process to ensure a more systematic approach to increasing managerial skill in relation to comptrollership competencies.

Employee satisfaction

Only four departments were reported as having an on-going formal approach to determining employee satisfaction and acting on the issues raised. These departments depended primarily on employee surveys - two reported using 360° feedback systems, and, two reported using regular staff retreats as assessment methods. In two of the departments with formal approacnes, employee satisfaction was included as an element in managerial accountability agreements and an employee ombudsman had been established.

Seven additional departments were reported as using a number of methods of assessing employee satisfaction on a more informal basis. These methods included:

- Surveys in some branches or regions;
- 360° feedback in some branches or regions;
- Union management consultation;
- Staff meetings; and,
- Open-door policies.

One half of the departments reported having action plans in place to address the issues raised within their departments by the 1999 public service wide survey.

One department reported the concern that employees did not always see the link between concrete changes implemented and the issues raised in employee surveys.

In one other department the issue of employee cynicism was identified.

> There was limited follow up to the 1993 ... survey. Also, various Public Service wide initiatives, like PS2000 and UJEP promoted positive change that did not materialize. As a result, employees may be cynical with respect to change initiatives.
>
> *Statement in a departmental capacity check report*

To be successful

Generally, departments need to:

- Develop formal mechanisms to gather employee feedback and address the issues raised, including wide communication of results and actions taken; and,
- Integrate, monitor and track results of employee feedback mechanisms over time.

Those with well-developed systems needed to include employee satisfaction results in their departmental performance measurement systems.

Valuing people's contribution

Seven of the departments were reported as being good places to work; and, an additional one reported that people were generally treated with respect. Seven departments reported formal reward and recognition programs in place with three of those reported as being very active. In half of the departments, the value of people was demonstrated through a number of people-oriented initiatives such as: active coaching, training, international exchange and job rotation programs; employee focus groups; social events; and, retreats.

In a majority (9 of 12) of departments, employee input was encouraged through a number of mechanisms. It was reported that, in one half of the departments, information was freely shared with discussion being very open. In two departments, it was specifically reported that employees could speak out without fear of reprimand. In one third of the departments assessed, managers and/or employees actively participated in decision-making. Further to that one half of the departments reported a strong sense of teamwork throughout, while an additional two reported strong teamwork within sectors.

In six cases, it was reported that there were inconsistent approaches within the department to valuing people's contribution. The differences occurred between or among organizations, geographic locations or, communities of workers.

In some departments, it was perceived that there were mixed messages in relation to valuing people. Examples cited were: the pay equity issue (two); and, downsizing resulting in increased workload with subsequent negative impact on family life or training opportunities (six).

> The pay equity issue has conveyed the message that employees are not valued or respected.
>
> Workload is high and there is sometimes an imbalance between work and family life....
>
> *Statements in departmental capacity check reports*

In two departments, it was report that staff were risk averse - in one, because they were penalized for risk-taking. In two others, it was reported that the culture did not encourage risk taking or, that it was not clear that people were empowered to take risks.

> Generally managers feel that staff ... are risk averse and that they are reprimanded harshly for taking a risk which has resulted in a negative impact.
>
> Innovation is promoted, but the employee's aversion to risk taking can offset it.
>
> There is a feeling that people have more room to operate than previously, however, there is some discomfort without guidance on risk tolerance.
>
> *Statements in departmental capacity check reports*

To be successful

Where there were challenges, departments needed to:

- Develop a culture of value and respect for people; and
- Expand the use of both informal and formal recognition programs;

Where a strong culture of value and respect for people existed, departments needed to move into a mode of continuous improvement.

Specialist support

One quarter of the departments reported that the views of finance specialists were valued and they were seen to be working with managers to achieve objectives. In two of these departments, the specialists were said to be leaders among their peers, and in one, the specialists were seen to be initiators of change.

In one half of the departments assessed, the managers were satisfied with the quality of the support provided by specialists. In four others, the managers were satisfied even though they indicated that the support was inadequate - e.g. the competence and/or capacity of specialists were reported as inconsistent. In one of these departments, the managers reported that they tended to be happier with the support they received from the more senior specialists.

In five departments, the specialists were not providing strategic advice but rather furnished basic analysis at a transaction level in response to specific management requests.

Four departments blamed the cuts to non-operational resources during program review for the current lack of capacity in the specialist functions. This was also closely linked to the claim, in one quarter of the departments, that human resource specialists were not responsive because of staff shortages.

> There is a consensus with the Department that the functional support groups are an essential part of modern management practices and that resources for functional support have been cut back at a time when they are most needed.
>
> As a result of resources downsizing, and major cuts in infrastructure, the level of functional support is wanting in some areas.
>
> *Statements in departmental capacity check reports*

Specialist support and capacity was viewed as quite good at the more senior levels in one quarter of the departments but not as good at lower organizational levels and in the regions. In two instances, specialists were reported as having too much of a "corporate" view or, not understanding the business units and, consequently, not able to provide relevant support.

> Regions reported that the specialist cadre was cut during Program Review: the tradeoff [sic] was "service delivery" vs. "support" resources. ... One region indicated that the capacity for corporate services at the local level should be increased -- while authority has been decentralized [sic] the support has not.
>
> *Statement in a departmental capacity check report*

Managers in one third of the departments were not aware of the full range of support services available to them. This resulted, for at least two of those departments, in managers not making good use of financial analytical services at the appropriate time in projects or, the business cycle.

To be successful

Where there were challenges, some of the things individual departments needed to do were:

- Build specialists support capacity both in terms of quality and quantity; and,
- Clarify roles between managers and specialists.

Specialists need to:

- Be more proactive in providing services; and,
- Improve services relevant to the needs of the clients. Examples reported were -
  - Independent challenge,
  - Cost accounting to support cost recovery, and,
  - Management services - business planning, process improvement, etc.

Clear accountability

The criteria

The clear accountability element was assessed against four criteria - *clarity of senior management responsibilities and organization, performance agreements and evaluations, incentives,* and *external reporting*.

Some conclusions

Although almost all departments had accountability frameworks (or their equivalent) in place, in one half of those departments, they were not well understood and there was still some overlap of responsibilities. Functional roles were not always clear or accepted in some cases - primarily in the regions.

All departments reported that performance agreements were in place for staff at or above the executive (EX) level, and, in the majority, most agreements were linked to objectives or expected results. In one half the departments, the annual performance evaluation was based on the performance agreement. It was rare, however, for the annual performance agreements to be linked to a responsibility for the application of modern management practices and seldom was there a mechanism to link performance information directly to the annual evaluation.

A majority of departments had incentives to encourage the application of good management practices - including performance pay and rewards and recognition programs. There were, however, a number of constraints or implementation difficulties that limited the effectiveness of incentives. These included: limited monetary recognition possibilities in the public sector; rewards and recognition program criteria or their application not understood or transparent to staff; and, rewards and recognition programs not used consistently, or to their full potential.

Clarity of senior management responsibilities and organization

Two thirds of the departments were reported as having, or being in the process of establishing, department level accountability frameworks with three others having senior level accountability accords that closely approximated the expected contents of such a framework. In one half of the departments assessed, the authority for resource allocation and re-allocation decision-making was clear. In one other, the degree of clarity varied within the organization.

Although accountability frameworks were in place in eight departments, in one half of those, it was reported that the framework was not well understood. Additionally, within five of those same departments, comptrollership responsibilities were not articulated in the accountability framework or, if laid out, were not generally understood.

In five departments, it was reported that even with accountability frameworks in place, there was still some overlap in responsibilities - primarily in program areas. In terms of functional roles, they were not always clear or accepted in five departments.

To be successful

Where there were challenges, departments needed to:

- Clarify responsibilities for comptrollership in accountability frameworks; and,
- Establish clear resource allocation decision-making responsibilities.

Performance agreements and evaluations

All departments reported that performance agreements[9] were in place for all managers at or above the executive (EX) level. In two thirds of the departments, most agreements were clearly linked to either business plan objectives or expected results. In three others, the agreements were focussed on results.

In one half the departments, it was reported that the annual performance evaluation for managers was founded on the previously established performance agreement.

> Management agreements are in place down to the Director level.
>
> Management agreements are shared openly with staff.
>
> Some Sectors develop management agreements are developed on a team basis.
>
> *Statements in a departmental capacity check report*

Only two departments reported that the annual performance agreements were linked to or mentioned explicitly the responsibility for the application of modern management or comptrollership practices.

In the majority (7 of 12) of departments, it was reported that there was no mechanism to link information on financial or non-financial performance directly to the annual evaluation of managers. One department reported that the goals established in performance agreements were not always mutually agreed upon.

To be successful

Departments needed to:

- Link annual performance agreements to comptrollership competencies;
- Use performance agreements as the basis for annual evaluations;
- Use information on financial and non-financial results in annual evaluations; and,
- Expand the use of performance agreements beyond the EX level.

[9] The terminology varied. Terms such as performance accord, management contract, management agreement, performance contract were accepted as describing the same type of document.

Incentives

Not surprisingly, all departments reported that executives were on performance pay and that this was considered an incentive. Additionally, eight departments reported a rewards and recognition program in place - five being very active. Two thirds of departments were reported to either have incentives to encourage the application of good management practices or good management practice was implicit in performance recognition.

Two departments indicated that the prospect of promotion was an incentive for good performance, and three reported that the satisfaction that an individual feels in a "job well done" motivated people to perform well.

Departments reported that there were a number of constraints or implementation difficulties that limited the effectiveness of incentives. These included:

- Limited monetary recognition possibilities in public sector;
- For executives, performance pay was not substantial enough to be a true incentive;
- Applying income tax to rewards;
- Rewards and recognition criteria not understood by staff;
- Rewards and recognition programs not used to full extent;
- Rewards and recognition program applied inconsistently;
- Performance bonus system not transparent to managers; and,
- Perception that performance bonuses given without considering how results were achieved.

> There are no incentives for coming under budget. There are actually disincentives to do so (get reduced budget the following year).
>
> Being part of the public service, there is limited flexibility with financial incentives or promotions - individuals get a raise/promotion through competition.
>
> Cash benefits are taxed. This reduces the effectiveness of cash awards as an incentive mechanism.
>
> There should also be disincentives for poor management practice.
>
> *Statements in departmental capacity check reports*

In one of the departments where promotion was seen as an incentive, managers were reported to perceive that promotions did not relate to past performance. In another, the small differences in salary levels between executives and some professional groups was seen as a disincentive to performance. It was reported by one department that there were few incentives, and by one department that there were actually disincentives, to come in under budget - presumably a good management practice.

To be successful

Where there were challenges, departments needed to

- Use existing government programs to the extent possible; and,
- Ensure staff understand the criteria and overall process for any reward and recognition programs.

External reporting

Five departments were reported to be preparing external documents that reported on success in relation to corporate or sector business plans. Two others provided information that was linked from year to year and an additional one provided some trend information. A majority (7 of 12) of departments, had received favorable comments on their external reports by central agencies, and in one instance a parliamentary committee, on the quality of their external reports. These reports were viewed as being well organized and structured.

Two departments, not included in the previous discussion, were said to be meeting minimum reporting requirements.

In one half of the departments it was reported that there was significant senior management involvement in the writing of external reports and three additional ones indicated that there was an appropriate sign-off by senior managers.

Two departments were described as making extensive use of the internet to assist in fulfilling external reporting requirements.

There was a range of issues reported with no particular pattern emerging. These included:

- Inconsistency in the quality of external reports;
- Timeliness and/or timing of external reporting;
- Meeting external and/or internal user requirements for information;
- Integration of external reporting with internal planning and reporting processes; and,
- The level of involvement of non-specialist staff within the HQ and regions.

To be successful

Some of the things individual departments needed to do were:

- Link external reporting of results and resource consumption to strategic or business line objectives; and,
- Increase the use of performance reporting

Content Analysis: A thematic view

The capacity check reports also have the potential to provide a view of the state of management in the federal government at the beginning of the 21st century.

To do so, this report provides an thematic view of the content analyses of the capacity check reports according to the management tasks of:

Establishing objectives and plans, and allocating resources;

Garnering employee commitment to work toward the stated objectives;

Ensuring employees have the necessary capacity to achieve organizational objectives; and,

Monitoring progress and making any needed adjustments.

A second use of the content analysis of the comptrollership capacity check reports could be an overview of the state of management in the federal government entering the 21st century. To best present that overview requires a thematic view of the comptrollership capacity check results. The themes selected align with the management challenges of:

- establishing and communicating an organization's strategic goals and objectives, the methods of measuring progress, and the plans and resources needed to achieve the objectives - including addressing the associated risks;
- encouraging the commitment of employees at all levels to work towards those objectives by outlining the authority, responsibility, and accountabilities of staff and the ethical values to be observed in decision making, and, ensuring incentives and rewards are aligned with the organization's objectives and values;
- providing staff with the necessary capacity to achieve the organizations' objectives including: the necessary knowledge and skills to fulfil their responsibilities; the accurate and complete information and analytical tools to support decision making; and, ensuring operations are well controlled;
- monitoring progress towards the objectives and making decisions based on information using a balanced set of financial and non-financial performance information which including measuring performance in meeting financial and program objectives, client satisfaction with services provided, and employee satisfaction; and, then learning from the information and improving business processes as necessary.

Establishing priorities, allocating resources and defining performance indicators

Establishing strategic priorities and assessing risk

Strategic priorities were communicated, however, they were not always identified in order of importance.

Almost all departments articulated and communicated their strategic priorities in either a formal strategic plan or a similar document. Departmental priorities, however, were not always ranked in order of importance. Lower level business plans were well linked to corporate plans in about half the departments. A key challenge, however, was to have a coordinated strategic planning effort across the department such that linkages between plans at various levels was possible.

Risk was normally assessed and managed at an operational level rather than the departmental level.

In almost all departments risk management frameworks existed or risk management occurred at various operational levels with risk being routinely managed using managerial intuition and experience. Rarely was there a fully developed risk management framework at the departmental level. This lack of a formal structure at the departmental level meant that the senior management team could not use strategic plans to communicate the acceptable level of risk for the organization.

> There is no tolerance for risk within the department. As a whole the department is risk averse.
>
> There is limited tolerance for risk at the political level within the Department.
>
> *Statements in departmental capacity check reports*

Although acceptable risk levels were not formally communicated, some departmental cultures were said to be risk averse.

Notwithstanding the lack of formal communication of risk tolerance, the unwritten message and culture in some departments was said to be risk averse.

Interestingly, those departments that had very good risk management approaches to matters dealing directly with public health, safety or security, did not have good frameworks to deal with administrative or "business" risk. In the majority of departments, managers did not fully understand, or have a common view of, risk management concepts - in some cases, risk was primarily seen in financial terms.

Establishing business plans and allocating and budgeting for available resources

Only one half of the departments had the necessary infrastructure to support business planning and, in a few departments, a lack of ranking of priorities in strategic documents made business planning at lower levels difficult.

Although most departments had the necessary infrastructure to support business planning, a minority had a formal business planning process. In several of the twelve departments, some or all branch business plans linked well to corporate priorities.

Where departments did not articulate priorities or did not ranking the priorities business planning was difficult. In one case managers were overwhelmed by the number of competing priorities. In a very few departments, from the point of view of managers, strategic plans were too high level to have any relevance for planning purposes.

In departments without a good business planning infrastructure or process, managers viewed business plans as being prepared for central agency reporting purposes and not for managing the organization. In a small number of departments, there was a lack of consensus on the value of business planning given the department's operations.

Notwithstanding the existence of strategic plans and priorities or business plans, in the majority of cases, financial resources were allocated at the departmental level based primarily on historical budgets.

In the majority of departments, financial resource allocation was based on historical budgets or, allocations were not made on the basis of priorities laid out in the strategic or business plans - in some, managers saw no evident link between funding allocations and the strategic or business plans.

In one half of departments there was no process for re-allocating resources across branches. In two departments, new requirements were funded with across-the-board "taxes". This coupled with resources managed in "silos" led to a sense that resource allocation was adversarial.

> There is a general feeling that the resource allocation process is adversarial in nature, that it is not a "team" approach to reallocate resources to "agreed to" priorities.
>
> *Statement in a departmental capacity check report*

Resource allocation and re-allocation within Branches was usually based on Branch priorities.

In the majority departments there was a process to allocate or re-allocate resources based on priorities *within branches*.

Budgeting occurred primarily at the Branch level and seldom was there an obvious direct link to strategic plans. In a few cases, de-centralization of budgets tended to reduce the potential for departmental level reallocation

In a large majority of the departments budgeting occurred at the branch level taking into account the resource allocation process. Budgets tend to have a strong link to branch business plans rather than obviously reflecting strategic plans. In a few departments significant de-centralization of budgets had reduced the potential for re-allocation of resources across branches.

The timing of the budgeting process was a challenge in a some cases: budgets were struck before priorities were set; operational cycles did not fit fiscal cycles; or, final budget establishment did not occur in a timely manner.

A number of departments reported forecasting difficulties with the concerns covering a wide range of issues. These included: difficulty in forecasting year-end positions; limited personnel capacity for forecasting or variance analysis; and forecasts typically always equal to or greater than the available budget.

> Most managers feel frustrated at the government's expenditure management process, (i.e. receiving funding for MC initiatives three to six months into the year). Furthermore, priorities are often established after resources have been allocated for the year.
>
> There is a perception that forecasts do not reflect reality because they typically equal budget, and that these reports are not seen to be useful.
>
> *Statements in departmental capacity check reports*

Establishing performance measures

Some departments had results-based frameworks[10] in place for their business lines - of these departments, most had performance measures in place. In many departments,

[10] The features of results-based frameworks (the term used in the capacity check reports) have been incorporated into the Results-based Management and Accountability Frameworks (RMAF) now in place.

Performance measurement and results based frameworks were in place in some departments, a common challenge, however, was the lack of outcome-oriented measures.

performance measures were linked to individual goals and objectives for some or all of their branches.

The challenge for almost all departments was the lack of outcome-oriented performance measurements against the priorities laid out in strategic or similar planning documents.

There were a range of concerns related to disincentives to performance measurement including a concern of unpleasant program consequences associated with measuring results.

> Managers perceive a risk to measuring outcomes, because it may question the rationale for some programs.
>
> *Statement in a departmental capacity check report.*

It was rare for departments to have developed and publicly announced a set of national service standards. Branches involved in internally or externally cost-recovered activities, however, were more likely to have service standards.

In only a very few instances did departments have national, department-wide, and publicly announced or available service standards for externally provided services. Service standards were developed by most, or at least some, branches in about half the departments. Interestingly, it was more likely that those branches involved in cost-recovery activities had developed service standards. In five departments, some, or all, internal service providers had developed service standards.

In at least one department, disincentives to developing and using service standards were reported. The difficulty of establishing standards when a government service is delivered by a third party was raised as an issue in one department.

> Several branches/regions feel that they are not capable of providing [an] appropriate level of service in some areas (under-resourced) and are therefore avoiding the development of service standards.
>
> *Statement in a departmental capacity check report*

Encouraging employee commitment

Establishing the ethics and values framework for decision making

The majority of departments specifically reported a generally ethical environment. Although, only one department had implemented a complete ethics and values framework, in several others, codes of ethics (or equivalent) existed at various organizational levels and the ethics dialogue had begun.

Only one department had a fully developed and implemented ethics and values framework. A small number of others, however, had developed and promulgated either a code of ethics, or a close equivalent. In some others, individual branches, sectors or business units had developed codes of ethics for use within their organization.

This does not mean that public servants were not behaving ethically; indeed, the majority of departments specifically reported a generally ethical environment. In a significant number of departments, employees had support available when dealing with ethical dilemmas in the form of either, an ombudsman or, an ethics coordinator.

Although only one department had carried out formal assessments and surveys to gauge the ethical climate of the department, in a majority of departments the essential dialogue on ethics had begun.

The issues raised included concerns with how unethical behaviour would be dealt with, and the need to provide more training to deal with day-to-day ethical dilemmas which are increasingly likely to occur.

No particular pattern emerged in the issues or concerns raised, which included, *inter alia*: perceptions that inappropriate behaviour was not adequately dealt with, or, that operational necessities might be in conflict with administrative ethics; how ethics and values would be enforced; and, insufficient training in dealing with day-to-day ethical dilemmas. In a few departments, there were concerns that formally documenting a code of ethics may reduce the inherently individual judgement to be applied to ethical dilemmas.

> Downsizing and the resulting increased delegation of authorities and responsibilities is perceived to have generated ethical dilemmas.
>
> ... the pressure, often political, to spend program funds and deliver services expediently, can raise ethical issues.
>
> *Statements in departmental capacity check reports*

Establishing responsibilities, authorities and accountabilities

Although they did not all articulate specific comptrollership responsibilities, all departments had accountability frameworks or accords in place. The frameworks were not always fully understood within the department.

Departments had, or were establishing, department level accountability frameworks, or had senior level accountability accords that closely approximated the expected contents of such a framework. Although accountability frameworks were in place, in many instances the framework was not well understood within the department. Comptrollership responsibilities were not always specifically articulated in accountability frameworks or were not generally understood.

There was still some overlap of responsibilities and difficulties in the acceptance of functional authority.

Often, even with accountability frameworks in place, there was still some overlap in responsibilities - primarily in program areas. Functional roles (e.g. finance, Human Resources), were not always clear or accepted.

> Still some lack of clarity between HQ and the Regions in certain program areas, or between sectors.
>
> HQ role of functional authority is not always clear or accepted at the regional level.
>
> *Statements in departmental capacity check reports*

For managers at the executive level, performance agreements which focussed on results supplemented the accountability frameworks. When used in annual evaluations, however, there was seldom a mechanism to link results to financial or non-financial performance information.

In all departments performance agreements were in place for all managers at or above the executive level. In the majority of cases, agreements were clearly linked to either objectives or expected results. In only a very few departments did the annual performance agreements explicitly mention the responsibility for the application of modern management or comptrollership practices

Normally, the annual performance evaluation for managers was founded on the previously established performance agreement. In the majority of departments, however, there was no mechanism to link financial or non-financial performance information directly to the annual evaluation of managers.

All departments had authority structures in place. In some departments, managers were satisfied that the current authorities supported program delivery. In an almost equal number, managers felt they needed greater authority given their responsibilities.

All departments had authority delegation structures in place and for the most part, the authorities were appropriate in terms of types and level. In the majority of cases authorities were reviewed periodically.

In a number of departments managers were satisfied that the current level of delegation supported the delivery of program responsibilities. In an almost equal number of departments, however, managers wanted further delegations. In some cases, this included a claim that central agency limits were too restrictive and/or human resource management authorities were insufficiently flexible and, in others, that administrative or operational (program) authorities were not commensurate with the assigned responsibilities.

> ... certain central agency restrictions by rank and level are not commensurate with the resource levels given to managers.
>
> There is some concern whether the ... authority structure supports responsive service delivery to the extent possible.
>
> *Statements in departmental capacity check reports*

Valuing peoples' contributions and providing incentives

Peoples' contributions were recognized as valuable through formal reward and recognition programs, people-oriented initiatives and involving them in decision making.

The majority of departments had formal reward and recognition programs. In half of the departments, the value of people was demonstrated through a number of initiatives such as: active coaching, training, international exchange and job rotation programs; employee focus groups; social events; and, retreats.

In a majority of departments, employee input was encouraged and in many cases information was freely shared with discussion being very open. While in only a minority of cases did managers and/or employees actively participate in decision-making, there was a strong sense of teamwork in a majority of departments.

In some cases, there were inconsistent approaches within departments to valuing people's contribution. The differences occurred between or among organizations, geographic locations or communities of workers.

Sometimes there were mixed messages in relation to the value placed on people. Negative messages were perceived in the areas of pay, improvement initiatives and risk-taking.

In many departments it was perceived that there were mixed messages in relation to valuing people. Examples cited were: the pay equity issue, and, the impact of downsizing.

In a very few departments, staff were risk averse - in one case because they were penalized for risk-taking and, in others, the culture did not encourage risk taking or it was not clear that people were empowered to take risks.

> The pay equity issue has conveyed the message that employees are not valued or respected.
>
> Management improvement initiatives can be perceived to have negative impacts on staff, for example, downsizing, additional workload.
>
> Generally managers feel that staff ... are risk averse and that they are reprimanded harshly for taking a risk which has resulted in a negative impact.
>
> There is a feeling that people have more room to operate than previously, however, there is some discomfort without guidance on risk tolerance.
>
> *Statement in a departmental capacity check report*

Although, monetary and other types of rewards and recognition were used in almost all departments, their effectiveness was sometimes diminished by factors inherent in public sector awards programs, and, sometimes by implementation difficulties.

In all departments, executives were on performance pay and most departments had a rewards and recognition program in place - including incentives to the application of good management practices. A few departments used implicit incentives such as the prospect of promotion, and the satisfaction that an individual feels in a "job well done".

In one of the departments where promotion was seen as an incentive, managers perceived that promotions, in fact, did not relate to past performance.

There were a number of difficulties that limited the effectiveness of incentives. These included:

Limited monetary recognition possibilities;

- Performance pay not substantial enough to be a true incentive;
- Applying income tax to rewards;
- Rewards and recognition program applied inconsistently; and,
- Perception that performance bonuses given without considering how results were achieved.

> There are no incentives for coming under budget. There are actually disincentives to do so (get reduced budget the following year).
>
> Being part of the public service, there is limited flexibility with financial incentives or promotions - individuals get a raise/promotion through competition.
>
> Cash benefits are taxed. This reduces the effectiveness of cash awards as an incentive mechanism.
>
> *Statements in departmental capacity check reports*

Senior management commitment and management support

Senior management understood modern comptrollership and demonstrated their commitment to it through the allocation of resources.

At the senior management level modern comptrollership concepts were discussed, understood and commitment was more tangibly demonstrated by: the appointment of a senior person to spearhead the effort of implementing modern comptrollership practices; the allocation of resources; and the development of concrete plans. Strong communications efforts enhanced understanding of the modern comptrollership practices.

In the great majority of departments, managers understood their on-going management responsibilities and carried them out. In some cases, managers actively promoted

improved management practices even if not part of a formal departmental program. Budget reductions and increased responsibilities were said, in some cases, to have accelerated the adoption of improved management practices.

Managers were less supportive where it was perceived that modern comptrollership was just one priority among many others or, where there was a greater emphasis on issue or program management.

Modern comptrollership practices received less support in those departments where there was an emphasis on either program delivery, or, on the management of issues over financial management. Similarly, where modern comptrollership was seen as merely one more priority among others or, where there were too many "priorities", managers had difficulty supporting modern practices.

In a few cases, the term "modern comptrollership" was seen to be too financial and the term used instead was "modern management practices".

Many managers are frustrated with senior management's focus on crisis management vs. on-going proactive approach and commitment to modern management practices.

Some expressed concerns that there too many concurrent initiatives ....

There are indications that financial management is less of a priority than program and operational responsibilities.

The term "comptrollership" is widely misinterpreted to mean strictly financial control.

Statement in a departmental capacity check report

Providing managers and staff with competencies, tools and information

Comptrollership competencies and specialist support

It was early days in the identification and introduction of comptrollership competencies into leadership profiles and training programs.

Although only one department had carried out a gap analysis of current management capacity against the comptrollership competencies, many others had incorporated the comptrollership competencies into leadership profiles. Notwithstanding that initiative, comptrollership expectations and/or principles had not been identified or communicated throughout many departments.

When management training was available it was not always accessible because of inadequate budgets or lack of time because of workload pressures.

In all departments, management training was available, however, only a few had incorporated comptrollership competencies into that training. In the majority of departments, most managers did not receive adequate training. The two key reasons cited were: insufficient financial or personnel resources to provide training; or, workload pressures precluded managers to take the time necessary to upgrade their skills.

> Most managers feel that the Department provides them with access to management training courses. ... However, they feel they are not afforded the time to attend training.
>
> Managers expressed concern about the time commitment to take formal training, given operational pressures.
>
> Managers should be provided training on how to manage within a partnership service delivery framework. This is a major culture change for managers and the organization as a whole.
>
> *Statements in departmental capacity check reports*

New ways of delivering government services have introduced new training needs.

New ways of delivering government services, either with or by third parties, introduced pressures to provide training in how to manage these relationships, and, business oriented training.

Financial and other specialists were expected to augment managers' comptrollership competencies and, in all departments, the Senior Financial Officer (SFO) was an

Although the majority of managers were satisfied with the financial specialist support provided, finance officers were not providing the type of strategic advice at all levels as envisaged in the modern comptrollership model.

integral part of the senior management team - usually providing strategic advice. As one moved out and down in the organization, finance officers tended to provide financial advice at the transaction level and, although in some cases they were considered part of the management team, they were not providing strategic advice. In a few departments, the managers did not take advantage of the available financial services, in an almost equal number, however, the views of finance specialists were valued and they were working with managers to achieve objectives.

In the majority of departments managers were satisfied with the quality of the support provided by specialists even if they indicated that the support was inadequate - e.g. the competence and/or capacity of specialists were reported as inconsistent. A number of managers blamed the cuts to non-operational resources during program review for the current lack of capacity in the specialist functions. This was also closely linked to the claim, in some departments, that human resource specialists were not responsive because of staff shortages.

Reductions in support services during program review were seen to have a negative impact on the capacity of specialist support.

> Regions reported that the specialist cadre was cut during Program Review: the tradeoff [sic] was "service delivery" vs. "support" resources. ... One region indicated that the capacity for corporate services at the local level should be increased -- while authority has been decentralized [sic] the support has not.
>
> *Statement in a departmental capacity check report*

Providing tools and techniques and knowledge enabling technology

A range of decision making support tools were available in most departments. Many of these tools were intended to combine financial and non-financial information.

Most departments had a range of tools and techniques available to managers to assist them in decision-making. These tools and techniques included such things as - direction or guidance on business cases analysis and/or benefit-cost analysis, Activity Based Costing (ABC) systems, costing templates, expected value analysis, resources allocation models, benchmarking, or, economic models. The key feature of most of these tools or techniques was the ability to combine the financial and non-financial data to support decision-making.

Financial or other functional specialists sometimes assisted managers in the used of the analytical tools and techniques. In a few cases, managers were unable to benefit from the tools due to other priorities.

When the more sophisticated tools were used, managers tended to rely on functional specialists, to support them in their application. In some instances, this also applied to basic financial techniques.

In a few cases, the use of improved decision making approaches was impeded by the pressures of other priorities. This referred to the time necessary to develop and apply the tools, or to be trained in their use.

> There has been limited use of cost benefit analysis, benchmarking and best practices assessments. Managers generally recognize that these are useful tools for decision making, but have been stalled in pursuing this by other competing priorities.
>
> While technological tools are available, managers have not been able to use them to their fullest extent in part due to workload constraints that prevent them from obtaining the training.
>
> *Statements in departmental capacity check reports*

Knowledge enabling technologies (e-mail, office automation, internet, etc.) were available to most. The application of these technologies, however, sometimes resulted in too much information being provided to staff.

Information was available to managers in the majority of departments via extensive use of such knowledge enabling technologies as office automation and e-mail, as well as, internet and intranet. A number of main corporate applications were client-server based, thus increasing the potential availability, although only one department was using data warehousing as a technique for making information available to managers.

A key challenge mentioned by some was the capacity of people to take advantage of knowledge enabling technology. Information overload was also cited in a few instances as a difficulty.

> There is a concern that technology is causing "information overload" with the result that people are paying less attention to the data and are, therefore, becoming less informed rather than more informed.
>
> *Statements in a departmental capacity check report*

Providing reliable, accurate financial and non-financial performance information

To effectively use the analytical tools and techniques and take advantage of the knowledge enabling technology, managers required easy access to integrated, reliable, accurate, timely and complete financial and non-financial performance information.

The financial records and the resulting information and corporate level non-financial information were adequate for external reporting purpose.

Managers had not yet grasped, however, the implications for their decision making processes of the implementation of the FIS.

The great majority of departments had good accounting practices and hence adequate financial records. Most either had implemented or, were in the process of implementing, the Financial Information Strategy (FIS). Managers, however, were generally not aware of the implications of accrual accounting (being implemented as part of the FIS) for their management decision-making.

> FIS is seen as mainly a financial community exercise for now.
>
> ... there is limited understanding of the Financial Information Strategy (FIS) on their operations and reporting.
>
> *Statement in a departmental capacity check report*

In the majority of departments, internal controls were adequate in most areas of the department and the controls over financial transactions were good. Furthermore in many departments, either finance staff or internal audit monitored or reviewed the application of controls.

Where there was limited integration of corporate financial and non-financial information, managers developed "black book" systems to meet their decision making needs.

All departments tracked finance and human resource (HR) transactions at the corporate level with the majority of those systems not being integrated. Although, many departments had operating information available at the corporate level, ***timely*** operating information was more likely to be found at the branch, sector or regional level. Again these systems were not

> Managers are frustrated at the lack of integration between financial and HR systems.
>
> Managers often assemble ad hoc reports manually. Some maintain "black book" systems to support their own analysis and reporting requirements.
>
> *Statements in departmental capacity check reports*

integrated at the corporate level. The most significant challenge, was to take a corporate or enterprise wide view of information beyond financial or HR information.

Where managers believed that corporate information was not reliable a number of "black book" systems were evident - some were much more sophisticated than a "black book". Easy access to integrated, timely and accurate HR information was a prime concern

Although meeting external reporting requirements, in some departments, the coding structures did not meet the costing information needs of managers.

The department-level systems were used to meet parliamentary and central agency reporting requirements. In some departments, the costing structure was primarily expenditure based with coding structures that did not meet managers' costing information needs. Where it was not regularly available, cost information was developed as required to support individual management situations such as cost recovery, case management, project management, benefit/cost analysis, or Treasury Board submissions.

In other departments, cost management information was provided regularly or was developed in response to meet specific situations. Where managers were convinced of the value, Activity Based Costing (ABC) systems were being implemented.

In a few cases, Activity Based Costing (ABC) systems were being implemented at the department or branch levels. In a number of departments managers were not convinced that any benefits of formal or extensive cost accounting systems were not worth the expense of developing and maintaining them as there were few incentives to manage costs. Where ABC systems were being developed within branches or programs, difficulties were foreseen with future integration at the departmental level.

> Generally, managers feel costing information would not be useful for decision-making purposes. Only cost-recovery programs make full use of costing information.
>
> It is generally felt that costing is not as important in times when resources are not constrained.
>
> *Statements in departmental capacity check reports*

Monitoring progress, changing course, and improving processes

Monitoring progress using financial and non-financial performance information

Although many departments had various types of financial and non-financial performance information available, no one had it all and no one had integrated the information using a balanced scorecard approach.

Although some were actively working on it, the integration of financial and non-financial information was not reported to be a reality. Almost all had good financial information; some had good operating information; others had good corporate performance or evaluative information; some had good costing information; still others had good client satisfaction information; and, a very few had good employee satisfaction information. No one department had it all, and no one had successfully integrated all its performance information into a true "balanced scorecard[11]".

Financial information was usually timely, accurate, and accessible to managers for use in variance analysis. The main challenge concerned access to salary information. The implementation of new financial reporting systems promises to improve accessibility in many departments.

In the majority of departments, financial information was timely, accurate and accessible. Where there were difficulties it was related to recent implementations of new corporate financial systems. As mentioned earlier, managers in these departments used "black books" or parallel local financial systems to meet their needs for financial information. The availability of salary information was a challenge for some.
Notwithstanding the difficulties, most managers (sometimes supported by finance staff) used financial variance analysis to track progress and make adjustments to budgets.

It should be noted that many departments were in the process of implementing financial reporting systems that would likely provide improved integration of and access to financial information.

> ... the Integrated Material Management Financial system is expected to result in improvements in data collection, processing and reporting.
>
> The implementation of Business Intelligence should improve integration ... and ... reporting.
>
> *Statements in departmental capacity check reports*

[11] A balanced scorecard begins with a vision for the future and a strategy to achieve that vision. The strategic objectives and related performance measurements are grouped into four categories: the financial perspective; the client perspective; the perspective of internal processes; and the innovation and growth (usually an employee) perspective.

Operating information, if it was available and used, was normally used at the branch level. Sometimes, the challenge was to identify the type of relevant information that could be used for management purposes - especially where services were provided by third parties.

All departments had operating information available in at least some of its branches. Although not normally used at the departmental level, branches within departments were often using the this type of information to manage operations. Branches that functioned on a fee-for-service basis were more likely to have good operating information. Curiously, in a few cases, operating information was readily available for statistical reporting purposes externally but, was not used to manage operations internally. Like program performance information, sometimes the challenge was to generate relevant and/or complete information in relation to the operations. A particular challenge, which may be more significant in the future, was the difficulty in gathering operating information on government services provided by third parties.

Performance information was not normally used on a regular basis for management purposes. In some cases managers felt this type of information was not relevant to their activities.

As it was mentioned previously, most departments had established the frameworks for generating program performance (or evaluative) information. Many also used department level independent evaluation to generate some evaluative information. Few departments, however, used evaluative information for decision-making purposes on a regular basis. In some cases where it was not used, managers indicated evaluative information was not relevant or applicable to their activities.

> How well a program is meeting its objectives is not always measured well.
>
> There is some skepticism that developing effective outcome-based measures is possible or even realistic in all cases.
>
> *Statements in departmental capacity check reports*

Client feedback was normally gathered at the branch level but in an ad hoc or informal manner.

Given that few departments had established and promulgated department level service standards, only a very few had a solid client satisfaction feedback system. Many departments had some client feedback mechanisms, however, it was usually at the branch level and either *ad hoc* or informal.

Methods of delivering government service using third parties or partners introduced new challenges to gathering client feedback.

The challenges in using client information included establishing the definition of satisfactory performance, and, defining the client for a quasi-judicial service or for a "public good". The newer methods of providing government services also presented definitional difficulties in terms of measuring client satisfaction for services

> Many branches are struggling with the definition of what is "satisfactory" performance. Managers feel that clients will always want more than the mandate will allow, so it is difficult to fully satisfy their needs.
>
> *Statement in a departmental capacity check report*

Some departments had formal, and others had informal, mechanisms to assess employee satisfaction.

Some departments had an on-going formal approach to determining employee satisfaction and acting on the issues raised. These departments depended primarily on employee surveys although some used 360° feedback systems and regular staff retreats as assessment methods. In a few, employee satisfaction was included as an element in managerial accountability agreements. Others were using more informal methods including, surveys or 360° feedback in some branches or regions, staff meetings, union management consultation, and, open-door policies.

Additionally, some departments had action plans in place to address the issues raised in the 1999 public service survey.

Any initiatives taken in response to employee satisfaction surveys must generate results that employees can clearly link to the survey.

Some departments had action plans in place to address the issues raised within their departments by the 1999 public service wide survey. In a very few cases, employees did not always see the link between concrete changes implemented and the issues raised in employee surveys or were cynical about theses types of surveys.

> ... various Public Service wide initiatives, like PS2000 and UJEP promoted positive change that did not materialize. As a result, employees may be cynical ....
>
> There is a need to communicate the link between employee ... survey findings and action taken.
>
> *Statements in departmental capacity check reports*

Challenging current business approaches and improving processes

Many departments had a corporate approach to business process improvement, or, major improvement initiatives underway at the departmental level. Consequently, business processes were reviewed on either a regular or *ad hoc* basis.

> Devolution in the Department has given rise to the opportunity to explore more efficient program delivery mechanisms.
>
> *Statement in a departmental capacity check report*

Even without corporate level business improvement processes or initiatives, at the Branch level, improvements were often occurring. In some cases, the improvement initiative involved certain units being certified using the appropriate ISO9000 standards.

Even without a corporate initiative, business process improvement initiatives were occurring on an *ad hoc* basis at the Branch/Sector/Regional level. A number of units had looked to a private sector model for improvement and became registered using the appropriate ISO9000 standard. Corporate level approaches usually involved a method of sharing best practices - with varying levels of success.

> Many managers feel that there is not a culture of continuous improvement within the department.
>
> Managers perceive that there are barriers to implementing business process improvements .... The extent to which business processes are improved depends on the level of union and employee support, the competencies and skill sets of staff and the availability of resources.
>
> *Statements in departmental capacity check reports*

One of the challenges for any improvement initiative was rallying the necessary employee and union support.

Difficulties in relation to business process improvement included: processes that were considered to be Branch specific; imposed corporate processes that did not always work in the Regions; operations that were not stabilized; a departmental view of improvement that was short term and the difficulty in rallying support for improvement initiatives.

Internal audit was seen by many to be adding value, in part, by ensuring audit plans were linked to business plans and individual audits focussed on performance improvement.

In most departments internal audit was seen as adding value, by focussing on performance improvement, and/or by having risk based audit plans linked to departmental business plans. In a number of cases internal audit was also involved in the development of new policies, systems, programs or initiatives. In a few instances, internal audit was under-resourced and as a consequence, the audit work was sometimes focussed only on compliance matters.

> Increasingly, the auditors focus on more significant issues than on picky errors.
>
> The capacity of internal audit was significantly reduced to accommodate Program review reductions.
>
> *Statements in departmental capacity check reports*

Although action plans were developed in response to external audit activity (usually the OAG), the results were not always seen as being useful for the improvement of departmental processes. This was attributed to the fact that departmental management was not the client for external audit activity.

Although departments regularly developed and followed up on action plans in response to external audits or reviews (primarily the Office of the Auditor General (OAG)) only a few were using the results as input to strategic planning or for significant business process improvements. Additionally, only a very few provided input to the priority areas to be addressed by the OAG - limiting the potential usefulness of such work.

Most departments did not take significant advantage of OAG audits because they felt the external audit and review function did not have internal departmental management as its prime client and hence the results were not as useful as they might be. The recommendations from OAG work were sometimes problematic because they were impractical in terms of resources, lacked specificity, or, were not attuned to departmental priorities.

> Some managers express concerns that external audits provide good analysis of departmental processes and results, but do not provide sufficient guidance to implement improvements.
>
> *Statement in a departmental capacity check reports*

Concluding material

Government and departmental initiatives and activities

Since the time of the capacity checks, there have been a number of initiatives that may have a positive impact on management practices in the federal public service.

They are:

Results for Canadians;

internal audit and evaluation policies

the Integrated Risk Management Framework;

implementation of FIS;

internal disclosure and active monitoring policies;

the draft Statement of Principles;

competency profiles for finance officers and internal auditors; and,

increased integration of departmental information systems.

The recent initiative to modernize human resource management may address some of the issues raised in the capacity check reports.

The analysis presented previously is based on comptrollership capacity checks carried out during the period from late-1999 to mid-2001. Since that time, there have been a number of steps taken that will likely have a positive influence the management of the federal government. Some of these steps were government-wide and some were taken within individual departments. Some of the major steps or initiatives that will likely improve some of the negative situations described in this document are highlighted briefly.

In March 2000, the federal government published *Results for Canadians - A Management Framework for the Government of Canada.* This document provides the broad framework for the way departments and agencies will manage and deliver programs and services. It may assist those departments that did not articulate strategic priorities or, those that needed to rank priorities in some order of importance, as it highlights what government believes is important in the delivery of services to Canadians. It also puts modern comptrollership into a broader government context and, hence, may assist managers in seeing where comptrollership fits among other initiatives and government concerns. This understanding may increase their commitment to modern comptrollership practices.

In February 2001, new *internal audit and evaluation policies* were promulgated. The evaluation policy has the potential to improve the availability of performance or evaluative information including outcome oriented performance indicators. The internal audit policy has the potential to improve the quality and quantity of internal audit services provided to managers in departments.

In April 2001, the publication *Integrated Risk Management Framework* was released. This framework may provide departments with at least a broad approach to considering risk in the development of strategic plans and business plans and assist in allocating resources to higher risk or priority areas. It also may provide the tools for managers at all levels to discuss risk and risk tolerance with their staff.

Also in April 2001, the full implementation of the Financial Information Strategy (FIS) was announced - including the adoption of accrual accounting. This may improve the integration of financial information available to managers. It also could have a positive impact on the capacity of managers in the area of cost management.

In June 2001, the *internal disclosure policy* was announced along with the appointment of integrity offices both at the government and department levels. This policy has the potential to provide departments with an important piece of the ethical framework that many were missing.

Also in June 2001, the *active monitoring policy* came into effect. This policy increases the likelihood that departments will monitor and improve the application of internal controls - especially in areas of high risk.

In October 2001, a *draft Statement of Principles* was made available for broad public service comment. It is intended that this statement lay out the values and principles that will guide the public servant in the delivery of program and services to Canadians. The final statement will have the potential to form another important part of the ethical framework that was missing in most departments.

Recently there have been *competency profiles* created for finance officers and internal auditors. These profiles are a first step in improving the capacity of specialists to support managers in the application of comptrollership practices.

Over the past two years departments have been implementing department-wide financial, human resources and materiel management systems. This coupled with the integration of these systems through, among other things, data warehousing approaches and improved reporting facilities should address some of the concerns managers expressed about the difficulty in accessing accurate and timely information. This improved access should ultimately enhance management decision making.

The results of the government's task force on modernizing human resource management, announced in April 2001, may have the potential to enhance managers' authorities and capacities in the area of human resource management - a concern raised in a number of departments.

The Office of the Auditor General report of April 2002

The OAG report of April 2002 comments on the comptrollership modernization initiative noting, among other things that to affect the necessary culture change will require significant time and effort.

The OAG is concerned about:

the quality of information about the initiative provided to parliament;

the need to provide support and guidance to departments; and,

setting targets for implementation of specific comptrollership practices.

The Auditor General's April 2002 report contains observations on the Modern Comptrollership Initiative that are generally balanced. The AG points out weaknesses and areas for improvement but, more importantly, acknowledges that the initiative represents a fundamental cultural change that will take a long time to realize.

The Auditor General report highlights are:

- The information provided by departments to Parliament does not show clearly how well or how poorly departments are doing at modernizing their comptrollership practices. Parliament has not been adequately informed of the enormity and importance of the task, and the risks the government faces should departments and agencies fail to firmly entrench strong comptrollership capabilities in their culture and their day-to-day operations.
- the Auditor General is concerned that commitment and support needs to be strengthened in key areas such as ensuring that departments clearly understand comptrollership, providing direction and guidance, and monitoring progress; and.
- Treasury Board Secretariat needs to provide much clearer direction and guidance to departments on putting into practice key aspects of comptrollership and also needs to set targets for departments and dates by which theses aspects must be met.

The government response

The government is concerned that the OAG has understated the enormity of the cultural change involved and has viewed the initiative in pure process terms.

Notwithstanding that, the Treasury Board, in consultation with departments and agencies, will, among other things:

provide guidance to departments on creating effective action plans and reporting progress on the initiative;

develop learning and communication programs targeted at the management community;

re-build the modern comptrollership web-site to make it more useful to managers; and,

develop an evaluation and reporting framework for the initiative

Many of these actions will also address issues arising from the content analysis.

The formal government response demonstrates a concern that the Auditor General focuses too narrowly on process improvement and understates the cultural challenge that Modern Comptrollership represents. The Treasury Board, however, will, in conjunction with departments and agencies, take steps to address the recommendations. These steps include:

- providing guidance to departments and agencies on creating effective management improvement plans, based on an analysis of existing action plans and experience with Modern Comptrollership to date;
- providing guidance to departments and agencies on how best to report on modern comptrollership through their Departmental Performance Reports. TBS will report on the progress of the Initiative government-wide, through its own Departmental Performance Report;
- with departmental participation, developing, comprehensive learning and communications programs targeted at the management community.
- re-building the modern comptrollership website to serve as a better information source on modern comptrollership for all managers - including a database of good practices.
- in consultation with departments, developing an evaluation and reporting framework. It will include the intended outcomes of the Initiative and performance criteria as well as TBS expectations for monitoring and reporting on progress; and,
- developing a database of the commitments made by departments to be used by Treasury Board Secretariat to follow-up with departments and agencies and to assess progress.